

**FIRST 5 SOLANO  
CHILDREN AND FAMILIES COMMISSION**

Independent Auditors' Report and Financial Statements

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters

Independent Auditors' Report on State Compliance

For the Year Ended June 30, 2018

**FIRST 5 SOLANO  
CHILDREN AND FAMILIES COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2018**

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## **First 5 Solano Children & Families Commission**

### **Commissioners**

(as of June 30, 2018)

Erin Hannigan, Chair  
Solano County Board of Supervisors District 1

Gerald Huber, Vice Chair  
Director of Health & Social Services, Solano County

Dan Ayala  
Retired Air Force Technical Sergeant

Jennifer Barton  
Chief of Staff, Assembly member Jim Frazier

Aaron Crutison  
Deputy Director of Health & Social Services, Solano County

Lisette Estrella-Henderson  
Solano County Superintendent of Schools

Nicole Neff  
Parent

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## **FINANCIAL SECTION**



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying 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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the 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, 2018, 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.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 post employment benefit (OPEB) liability, and the schedule of OPEB contributions on pages 5 through 10 and pages 30 through 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenses by fund source and net position of SCCFC funds for First 5 programs and activities (Schedule) is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and that results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Vavrinek, Irine, Day & Co., LLP*

Sacramento, California  
September 28, 2018





CHILDREN ARE OUR BOTTOM LINE

### **Management's Discussion and Analysis**

As management of the First 5 Solano Children & Families Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

#### **Financial Highlights**

- The Commission's net position totaled \$7,467,026 at June 30, 2018. The entire \$7,467,026 is for the use of specific government programs as outlined under the California Children and Families Act of 1998 (Proposition 10).
- The Commission's total net position increased by \$312,151 mainly due to a decrease in the Commission's net pension liability of \$208,598. Some contributing factors to the decrease were the difference in expected and actual experience and changes in assumptions.
- At June 30, 2018, the Commission's governmental funds reported an ending fund balance of \$8,353,676, a decrease of \$32,232 from June 30, 2017. \$653 is reported as nonspendable and \$8,353,023 is categorized as unassigned. The Commission's funds are for the use of specific government programs per legislation enacted under the California Children and Families Act of 1998 (Proposition 10).

#### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Commission's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The Commission has adopted a revised Long-Term Financial Plan (LTFP) which projects the Commission's assets over a ten-year period of time (FY 2016/17-FY 2025/26).

The statement of activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Commission's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-29 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary comparison schedule for the Commission's general fund, pension schedules and OPEB schedules. Required supplementary information can be found on pages 30-35 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. In the case of the Commission, assets/deferred outflows of resources exceeded liabilities/deferred inflows of resources by \$7,647,026 at June 30, 2018.

As previously stated, the Commission's total restricted net position as of June 30, 2018 has limitations on their use imposed by the California Children and Families Act of 1998 (Proposition 10).

First 5 Solano Children & Families Commission  
Government-wide  
Statement of Net Position  
June 30, 2018 and 2017

	2018	2017
Assets:		
Current and other assets	\$ 8,902,274	\$ 8,842,884
Total assets	<u>8,902,274</u>	<u>8,842,884</u>
Deferred Outflows of Resources:		
Deferred outflows related to pensions and OPEB	375,785	392,311
Total deferred outflows of resources	<u>375,785</u>	<u>392,311</u>
Liabilities:		
Current liabilities	548,598	456,976
Non-current liabilities	1,226,869	1,386,062
Total liabilities	<u>1,775,467</u>	<u>1,843,038</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions and OPEB	35,566	185,072
Total deferred inflows of resources	<u>35,566</u>	<u>185,072</u>
Net Position:		
Unrestricted	7,467,026	7,207,085
Total net position	<u>\$ 7,467,026</u>	<u>\$ 7,207,085</u>

The key elements in the significant changes in assets/deferred outflows of resources and current/non-current liabilities/deferred inflows of resources are as follows:

Current assets: Current assets increased by \$59,390 from June 30, 2017. The primary reason is an increase in the anticipated amount due from other agencies, most specifically Proposition 10 tobacco tax funding from First 5 California, at fiscal year-end.

Deferred outflows of resources: Deferred outflows of resources decreased by \$16,526 from June 30, 2017. The decrease is attributable to employer contributions to the pension and OPEB plan applicable to a future accounting period and current year changes in the net pension liability and related amortization and other factors.

Current liabilities: Current liabilities increased by \$91,622 from June 30, 2017. The increase is due to amounts owed to vendors for goods and services received prior to fiscal year-end.

Non-current liabilities: Non-current liabilities decreased by \$159,193 from June 30, 2017. The decrease is due to a reduction of the Commission's proportionate share of the net pension liability. Some contributing factors to the decrease were the difference in expected and actual experience and changes in assumptions. The decrease in the net pension liability is offset by the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires the Commission to record the proportionate share of the net OPEB liability.

Deferred inflows of resources: Deferred inflows of resources decreased by \$149,506. The decrease is attributable to current year changes in the net pension liability, net OPEB liability, related amortization, and other factors.

**Governmental activities** increased the Commission's net position by \$312,151 during fiscal year 2017/18, which represents an increase of approximately 4% from total net position at June 30, 2017. The increase in net position is due to changes related to Commission's net pension liability and related deferred inflows and outflows.

First 5 Solano Children & Families Commission's  
Change in Net Position  
For the fiscal years ended June 30, 2018 & 2017

	2018	2017
<b>Program expenses:</b>		
<b>General:</b>		
Employee services	\$ 522,567	\$ 841,114
Program evaluation costs	135,150	131,250
Interfund services	47,454	57,185
Professional & specialized services	60,344	55,818
Special departmental expense	4,615	2,412
Rents & leases	55,374	51,364
Insurance	7,411	5,276
Communication	5,945	5,966
Memberships	7,226	7,226
Meals/Refreshments	2,854	1,593
Transportation & travel	10,363	6,661
Non-capitalized equipment	-	113
Supplies	1,732	1,695
Countywide admin overhead	49,385	67,044
Miscellaneous	3,150	8
<b>Total general expenses</b>	<b>913,570</b>	<b>1,234,725</b>
<b>Grant:</b>		
Early mental health	502,556	483,430
SR family support	564,308	594,426
EPSDT- Early Periodic Screening Diagnosis & Treatment	185,371	215,803
Health access initiative	121,000	120,381
Pre K academy	204,328	186,363
Child care and development	421,920	323,234
H&SS IFSI - Family Strengthening Project	161,852	187,956
Collaboration	-	9,761
Community engagement	86,846	83,223
Pre-natal grants	35,000	34,889
Systems change	220,075	153,104
Co-sponsorship of conferences	18,475	11,500
<b>Total grant expenses</b>	<b>2,521,731</b>	<b>2,404,070</b>
<b>Total program expenses</b>	<b>3,435,301</b>	<b>3,638,795</b>
<b>Program revenues:</b>		
Operating grants and contributions	3,247,429	3,514,874
Charges for services	344,643	316,920
<b>Total program revenues</b>	<b>3,592,072</b>	<b>3,831,794</b>
<b>Net program revenues</b>	<b>156,771</b>	<b>192,999</b>
<b>General revenues:</b>		
Investment income	102,534	66,782
Miscellaneous	52,846	540
<b>Total general revenues</b>	<b>155,380</b>	<b>67,322</b>
<b>Change in net position</b>	<b>312,151</b>	<b>260,321</b>
<b>Net position:</b>		
Beginning, as restated (See Note 7)	7,154,875	6,946,764
End of the year	<b>\$ 7,467,026</b>	<b>\$ 7,207,085</b>

The key elements for the significant changes in net position are as follows:

**Program expenses-general:**

General expenses decreased overall from prior year by \$321,155. The most significant decreases are noted as follows:

- Employee services decreased by \$318,547 mainly due to decreases in GASB 68 related pension expenses.

**Program expenses-grants:**

Grant expenses increased overall from prior year by \$117,661. Significant changes are as follows:

Expenses for the following programs was either reduced or grantees underspent the budgeted amount for the current year funding cycle:

- SR Family Support - \$30,118
- Family Strengthening Project - \$26,104
- EPSDT-\$30,432

Conversely, Systems Change and the Child Care and Development IMPACT Program expenses increased in the amount of \$66,971 and \$98,686, respectively.

**Program revenue:**

Program revenue decreased from prior year by \$239,722 as a result of reduced funding from First 5 California Proposition 10 annual allocations.

**Financial Analysis of the Commission's Governmental Funds**

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The general fund is a governmental fund type that is used to account for general activities of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's net resources available for spending at the end of the fiscal year. At June 30, 2018, the Commission's general fund reported an ending fund balance of \$8,353,676. This was the result of a decrease to fund balance of \$32,232 for the fiscal year ended June 30, 2018.

Governmental revenues totaled \$3,747,452 in fiscal year 2017/18. This represents a decrease of approximately 4% from fiscal year 2016/17.

Governmental expenditures totaled \$3,779,684 in fiscal year 2017/18. This represents an increase of approximately 4% from fiscal year 2016/17 due primarily to the overall increase for various services funded by grant expenditures.

**Budgetary Highlights**

The Commission's general fund budget (Adopted and Final versions) is reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, as presented on page 29 in the Required Supplementary Information (RSI) section of this report.

There were changes between the adopted budget and the final budget resulting in an increase in appropriations for contingencies. Revenues recognized were less than budget by \$195,510 as a result of less charges for services provided to Health & Social Services Mental Health Division for early childhood mental health programs. Expenditures incurred were less than budget by \$941,224 due to the overall reduction in grant disbursement expenditures resulting from the new funding cycle that reduced overall allocations to various grant categories.

## **Debt Administration**

**Long-term liability.** At June 30, 2018 the Commission had \$1,226,869 of long term liabilities composed of the net pension liability, net OPEB liability, and compensated absences. For more information, see Note 2 on page 22 of this report.

## **Economic Factors and Next Year's Operating Activities**

In December 2017, the Commission adopted a new 2018-2023 Program Investment Plan, which brings expenditure in line with ongoing revenue. The 2018-2023 Program Investment Plan continues the work of the Commission under the key initiatives, but identifies a shift in strategy for some initiatives to ensure the Commission is making the biggest impact in outcomes utilizing its decreasing revenue.

The following services are outlined in the Program Investment plan for fiscal year 2018/19:

- Family Support Services: parent Education; family strengthening with a focus on Rio Vista and Vallejo
- Children's Health: well-child checkup utilization with a focus on Rio Vista and Vallejo
- Early Childhood Mental Health Services: Parent education; provider training; mental health treatment; universal developmental screenings
- Quality Child Care Services: IMPACT and Head Start facility
- School Readiness: Pre-Kindergarten Academies
- Help Me Grow: Access and linkage to services; family navigation/coordination
- Annual Grants: One-time funding opportunities to fill gaps and pilot new ideas
- Systems Change: System activities strengthen, expand, integrate and sustain the early childhood system

Commission management continues its fiscal policy of managing operating costs associated with Commission operations. For fiscal year 2018/19, the Commission will enter the first year of a five-year funding cycle. Expenditures are projected to be in line with the level of ongoing revenues.

## **Requests for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest with the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Solano Children and Families Commission, 601 Texas Street, Suite 210, Fairfield, California 94533.

## **BASIC FINANCIAL STATEMENTS**

**FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and investments in County treasury	\$ 8,054,299
Accounts receivable	2,044
Due from County	165,229
Due from State Commission	680,049
Prepaid expense	653
Total assets	<u>8,902,274</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	362,147
Deferred outflows related to OPEB	13,638
Total deferred outflows of resources	<u>375,785</u>
 <b>LIABILITIES</b>	
<b>Current liabilities</b>	
Outstanding warrants	76,419
Accounts payable	292,332
Due to County	119,929
Due to other agencies	59,918
Total current liabilities	<u>548,598</u>
 <b>Noncurrent liabilities</b>	
Compensated absences	31,657
Net pension liability	1,139,189
Net OPEB liability	56,023
Total noncurrent liabilities	<u>1,226,869</u>
Total liabilities	<u>1,775,467</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	32,908
Deferred inflows related to OPEB	2,658
Total deferred inflows of resources	<u>35,566</u>
 <b>NET POSITION</b>	
Unrestricted	<u>7,467,026</u>
Total net position	<u>\$ 7,467,026</u>

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



# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## GOVERNMENT-WIDE FINANCIAL STATEMENTS STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Program expenses:</b>	
<b>General</b>	
Employee services	\$ 522,567
Program evaluation costs	135,150
Countywide admin overhead	49,385
Interfund services	47,454
Professional & specialized services	60,344
Rents & leases	55,374
Memberships	7,226
Transportation & travel	10,363
Communication	5,945
Insurance	7,411
Special departmental expense	4,615
Supplies	1,732
Meals/Refreshments	2,854
Miscellaneous	3,150
<b>Total general expenses</b>	<u>913,570</u>
<b>Grants</b>	
SR family support	564,308
Early mental health	502,556
Child care and development	421,920
EPSDT - Early Periodic Screening Diagnosis & Treatment	185,371
H&SS IFSI - Family Strengthening Project	161,852
Pre K academy	204,328
Systems change	220,075
Health access initiative	121,000
Community engagement	86,846
Pre-natal	35,000
Co-sponsorship of conferences	18,475
<b>Total grant expenses</b>	<u>2,521,731</u>
<b>Total program expenses</b>	<u>3,435,301</u>
<b>Program revenues:</b>	
Operating grants and contributions	3,247,429
Charges for services	344,643
<b>Total program revenues</b>	<u>3,592,072</u>
<b>Net program revenues</b>	<u>156,771</u>
<b>General revenues:</b>	
Investment income	102,534
Donation/grants	52,846
<b>Total general revenues</b>	<u>155,380</u>
<b>Change in net position</b>	312,151
Net position- beginning, as restated	7,154,875
Net position- ending	<u>\$ 7,467,026</u>

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

**FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

**BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2018**

<b>Assets</b>	<b><u>General Fund</u></b>
Cash and investments in County treasury	\$ 8,054,299
Accounts receivable	2,044
Due from County	165,229
Due from State Commission	680,049
Prepaid expense	653
Total assets	<u>\$ 8,902,274</u>
 <b>Liabilities</b>	
Outstanding warrants	\$ 76,419
Accounts payable	292,332
Due to County	119,929
Due to other agencies	59,918
Total liabilities	<u>548,598</u>
 <b>Fund Balance</b>	
Nonspendable	\$ 653
Unassigned	8,353,023
Total fund balance	<u>8,353,676</u>
Total liabilities and fund balance	<u>\$ 8,902,274</u>

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

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Governmental fund balance	\$ 8,353,676
Amounts reported for governmental activities in the statement of net position are different because:	
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 the funds:	
Deferred outflows of resources related to pensions	362,147
Deferred inflows of resources related to pensions	(32,908)
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 the funds:	
Deferred outflows of resources related to OPEB	13,638
Deferred inflows of resources related to OPEB	(2,658)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(31,657)
Long-term obligations- net pension liability	(1,139,189)
Long-term obligations- net OPEB liability	<u>(56,023)</u>
Net position of governmental activities	<u>\$ 7,467,026</u>

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

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2018

Revenues:	<b>General Fund</b>
Intergovernmental revenues	\$ 3,247,429
Charges for services	344,643
Investment income	102,534
Donations/grants	52,846
Total revenues	<u>3,747,452</u>
Expenditures:	
Current	
General:	
Employee services	866,950
Program evaluation costs	135,150
Countywide admin overhead	49,385
Interfund services	47,454
Professional & specialized services	60,344
Rents & leases	55,374
Memberships	7,226
Transportation & travel	10,363
Communication	5,945
Insurance	7,411
Special departmental expense	4,615
Supplies	1,732
Meals/Refreshments	2,854
Miscellaneous	3,150
Total general expenditures	<u>1,257,953</u>
Grants	
SR family support	564,308
Early mental health	502,556
Child care and development	421,920
EPSDT - Early Periodic Screening Diagnosis& Treatment	185,371
H&SS IFSI - Family Strengthening Project	161,852
Pre K academy	204,328
Systems change	220,075
Health access initiative	121,000
Community engagement	86,846
Pre-natal grants	35,000
Co-sponsorship of conferences	18,475
Total grant expenditures	<u>2,521,731</u>
Total expenditures	<u>3,779,684</u>
Net change in fund balance	(32,232)
Fund balance - beginning	<u>8,385,908</u>
Fund balance - ending	<u>\$ 8,353,676</u>

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

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Changes in fund balance - governmental funds	\$ (32,232)
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Amounts reported for governmental activities in the statement of activities are different because:

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.	(6,618)
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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:	(20,039)
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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 amounts reflect changes in the pension related balances:	<u>371,040</u>
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Change in net position of governmental activities	<u>\$ 312,151</u>
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The accompanying notes are an integral part of these financial statements.

## **FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

### **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

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

First 5 Solano Children and Families Commission (Commission) 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 funded by a surtax imposed statewide on the sale and distribution of cigarettes and other tobacco related products.

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, deferred outflows of resources, 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 position. All operations of the Commission are accounted for in the general fund.

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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

##### Fund Financial Statements (Continued)

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 position 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 OPEB. Refer to additional details in Note 3 and Note 4.

In addition to liabilities, the statement of net position 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 position 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. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental fund report unavailable revenues from intergovernmental revenues. 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 3 and Note 4.

##### **Long-Term Liabilities**

As of June 30, 2018, the Commission estimated its liability for vested compensated absences to be \$31,657. 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 long-term liabilities. The compensated absences are liquidated by the general fund.

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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

##### Net Position

Net position is displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and net of related debt.
- 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.
- Unrestricted net position – All other resources making up net position that do not meet the definition of “restricted” or “net investment in capital assets.” All of the Commission’s net position is reported as 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. At June 30, 2018, fund balance of \$653 is classified as nonspendable.
- *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 modification of use of funds can be accomplished only by the same formal action of the Commission. The Solano First 5 Commission 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 a commission's intended use of resources, which is established either by the First 5 Solano 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. At June 30, 2018, fund balance of \$8,353,023 is classified as unassigned.

The Commission’s policy 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.



## **FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

### **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018**

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

##### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Solano County Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

For purpose of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Solano County Retiree Healthcare Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are carried 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, 2018 is \$8,054,299. The County investment pool is not registered with the Securities and Exchange Commission as an investment company.

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. A detailed breakdown of cash and investments and a categorization of risk factors per GASB Statement No. 40, Deposits and Investment Risk Disclosures, are presented in the County of Solano Comprehensive Annual Financial Report.

## **FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

### **NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018**

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

##### **Cash and Investments in County Treasury (Continued)**

###### ***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, 2018, 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, 2018 of \$8,054,299 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

###### ***Due from County***

Due from county in the amount of \$165,229 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 of \$680,049 represents amounts due to the Commission from the State (First 5 California Children & Families Commission) as of June 30, 2018 for amounts allocated but not received.

###### ***Outstanding Warrants***

Outstanding warrants in the amount of \$76,419 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 of \$292,332 represents the balance owed for goods received and/or services rendered.

###### ***Due to County***

Due to County of in the amount of \$119,929 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 of \$59,918 represents amounts owed to grantees outside the reporting entity.

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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

##### *Effect of New Governmental Accounting Standards Board (GASB) Pronouncement*

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The Commission implemented this statement effective July 1, 2017.

#### NOTE 2 – LONG-TERM LIABILITY

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	June 30, 2018	Amounts Due Within One Year
Compensated absences	\$ 38,275	\$ -	\$ 6,618	\$ 31,657	\$ -
Net pension liability	1,347,787	-	208,598	1,139,189	-
Post employment benefits (OPEB) liability	62,660	-	6,637	56,023	-
Total long-term liabilities	<u>\$ 1,448,722</u>	<u>\$ -</u>	<u>\$ 221,853</u>	<u>\$ 1,226,869</u>	<u>\$ -</u>

#### NOTE 3 – 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 of Solano. The Commission contributes the full amount of the employees' 7.508 percent share of contributions after five years of CalPERS qualifying experience. The employer contribution rate for the fiscal year ended June 30, 2018, is 10.127 percent. For the fiscal year ended June 30, 2018, the Commission was required to contribute \$172,253 to the County of Solano for the plan.

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued))

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

At June 30, 2018, the Commission reported a liability of \$1,139,189 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Commission's proportion of the County's net pension liability was based on the Commission's FY 2017 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2017, the Commission's proportionate share was 0.3307 percent and at June 30, 2018 the Commission's proportionate share was 0.3225 percent, a decrease of 0.0082 percent.

For the year ended June 30, 2018, the Commission recognized pension expense of \$170,796. At June 30, 2018, 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
Difference between expected and actual experience	\$ 36,760	29,136
Changes of assumptions	153,133	3,772
Employer contributions paid by the Commission subsequent to the measurement date	172,253	-
Total	<u>\$ 362,146</u>	<u>\$ 32,908</u>

\$172,253 reported as deferred outflows of resources related to pensions resulting from 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, 2019. 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,	
2019	\$ (49,409)
2020	(102,807)
2021	(27,587)
2022	22,818
Total	<u>\$ (156,985)</u>

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued))

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Actuarial assumptions - The Commission's proportion of the County's total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.75%
Projected Salary increases	Varies by Entry Age and Service
Cost of Living Adjustments:	2.75%
Payroll Growth:	3%

The mortality table used was developed based on CalPERS's specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

The discount rate of 7.15 percent used for the June 30, 2017 measurement date decreased from 7.65% used for the June 30, 2016 measurement date.

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.

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 – DEFINED BENEFIT PENSION PLAN (Continued))

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Long-Term Expected Real Rate of Return			
Asset Class	Target Allocation	Real Return, Years 1 -10 (A)	Real Return 11+ (B)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Linked Securities	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	<u>100.00%</u>		

*Discount rate* - The discount rate used to measure the total pension liability was 7.15 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 7.15 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 7.15 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 7.15 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 (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
Commission's proportionate share of the County’s net pension liability	\$ 1,681,807	\$ 1,139,189	\$ 698,632

*Pension plan fiduciary net position* - Detailed information about the County’s collective net pension liability is available in the County’s separately issued Comprehensive Annual Financial Report (CAFR). The County of Solano’s financial statements may be obtained by contacting the County of Solano, Auditor-Controller’s Office at 675 Texas Street, Suite 2800, Fairfield, CA 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 comprehensive annual 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).

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

#### NOTE 4 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

##### Plan Description

The Commission participates in County of Solano Multi-Employer Defined Benefit Healthcare Plan administered by the CalPERS. The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of \$133 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 of \$133 per month 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>.

##### 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.

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

At June 30, 2018, the Commission reported a liability of \$56,023 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. 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, actuarially determined. At June 30, 2018, the Commission's proportion was 0.2434 percent.

For the year ended June 30, 2018, the Commission recognized OPEB expense of \$9,687. At June 30, 2018, 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	\$ 13,638	\$ -
Net difference between projected and actual earnings on plan investments	-	2,658
Total	<u>\$ 13,638</u>	<u>\$ 2,658</u>

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

### NOTE 4 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

\$13,638 reported as deferred outflows of resources related to OPEB resulting from 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, 2019. 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,	Amortization
2019	\$ (665)
2020	(665)
2021	(665)
2022	(663)
Total	<u>\$ (2,658)</u>

*Actuarial Assumptions* – The total OPEB liability in the January 1, 2017 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, 2017
Discount Rate	6.00%
Inflation	2.75%
Investment Rate of Return	6.00%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2067 and later years
Mortality Improvement	Mortality projected fully generational with Scale MP-2016
Salary Increase	3%
Healthcare Participation	50%

*Discount Rate* – The discount rate used to measure the total OPEB liability was 6.00 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.



# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

### NOTE 4 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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

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	58.0%	4.82%
Fixed Income	35.0%	1.47%
Cash	5.0%	0.06%
REITs	2.0%	3.76%
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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	\$ 76,447	\$ 56,023	\$ 41,074

*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	\$ 38,338	\$ 56,023	\$ 80,273

Non-Medicare trend rate of 6.5%, decreasing 0.5% per year to an ultimate rate of 5.0% for 2012 and later years.  
Medical trend rate of 6.7%, decreasing to an ultimate rate of 5.0% for 2021 and later years.

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

## FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

#### NOTE 5 – 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, 2018, the Commission spent \$135,150 on program evaluation.

#### NOTE 6 – 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 California State Association of Counties-Excess Insurance Authority (CSAC-EIA), a joint powers authority created to provide self-insurance programs for California counties.

#### NOTE 7 - RESTATEMENT

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

<b><u>Restated for GASB 75 implementation</u></b>	<b><u>Governmental Activities</u></b>
Beginning Balance, as previously reported	\$ 7,207,085
Net OPEB liability	(62,660)
Deferred Outflows - OPEB contributions	10,450
<b>Beginning Balance, as restated</b>	<b><u>\$ 7,154,875</u></b>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual Amounts	
Revenues:				
Intergovernmental revenues	\$ 3,212,258	\$ 3,212,258	\$ 3,247,429	\$ 35,171
Charges for services	640,344	640,344	344,643	(295,701)
Investment income	52,500	52,500	102,534	57,534
Donations/grants	5,000	45,000	52,846	7,846
Total revenues	3,910,102	3,950,102	3,747,452	(195,150)
Expenditures:				
Current				
General				
Employee services	855,391	855,391	\$ 866,950	(11,559)
Program evaluation costs	140,000	140,000	135,150	4,850
Countywide Admin O/H	49,385	49,385	49,385	-
Interfund services	49,500	49,500	49,454	46
Professional & specialized services	70,219	70,719	60,344	10,375
Rents & leases	52,741	54,241	55,374	(1,133)
Memberships	7,500	7,500	7,226	274
Transportation & travel	10,400	10,400	10,363	37
Communication	6,498	6,498	5,945	553
Insurance	7,411	7,411	7,411	-
Special departmental expense	4,725	4,725	4,615	110
Supplies	4,000	4,000	1,732	2,268
Meals/Refreshments	1,000	2,854	2,854	-
Non capitalized equipment	3,000	3,000	-	-
Miscellaneous	4,250	3,150	3,150	-
Total general expenditures	1,266,020	1,268,774	1,259,953	5,821
Grants				
SR family support	666,577	666,577	564,308	102,269
Early mental health	1,030,000	1,030,000	502,556	527,444
Child care and development	465,101	465,101	421,920	43,181
EPSDT - Early Periodic Screening Diagnosis& Treatment	300,000	300,000	185,371	114,629
H&SS IFSI - Family Strengthening Project	187,956	187,956	161,852	26,104
Pre K academy	206,000	206,000	204,328	1,672
Systems change	275,000	315,000	220,075	94,925
Health access initiative	121,000	121,000	121,000	-
Community engagement	102,000	102,000	85,846	16,154
Pre-natal grants	35,000	35,000	35,000	-
Co-sponsorship of conferences	25,000	25,000	17,475	7,525
Collaboration	1,500	1,500	0	1,500
Total grant expenditures	3,415,134	3,455,134	2,519,731	935,403
Total expenditures	4,681,154	4,723,908	3,779,684	941,224
Excess (deficiency) of revenues over (under) expenditures	(771,052)	(773,806)	(32,232)	746,074
Fund balance - beginning	6,452,182	6,111,678	8,385,908	
Fund balance - ending	\$ 5,681,130	\$ 5,337,872	\$ 8,353,676	

The notes to the required supplementary information are an integral part of this schedule.

# FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION

## SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

### LAST TEN YEARS\*

	2018	2017	2016	2015
Commission's proportion of the net pension liability	\$ 1,139,189	\$ 1,347,787	\$ 1,129,735	\$ 1,370,818
Commission's proportionate share of the County's net pension liability	0.3225%	0.3307%	0.4065%	0.4228%
Commission's covered payroll	\$ 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	220.26%	229.75%	198.80%	244.61%
Plan fiduciary net position as a percentage of the total pension liability	72.12%	72.73%	77.48%	79.35%
Measurement date:	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 four years are shown.

Changes of Assumptions: 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 FOR THE YEAR ENDED JUNE 30, 2018

#### LAST TEN YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	172,253	392,311	268,681	104,947
Contributions in relation to the actuarially determined contribution	<u>172,253</u>	<u>392,311</u>	<u>268,681</u>	<u>104,947</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered payroll	\$ 570,009	\$ 517,198	\$ 586,638	\$ 568,283
Contributions as a percentage of covered payroll	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 four years are shown.

**FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018*</b>
Commission's proportion of the net OPEB liability	\$ 56,023
Commission's proportionate share of the net OPEB liability	0.2434%
Commission's covered-employee payroll	822,596
Commission's proportionate share of the net OPEB liability as a	6.81%
Plan fiduciary net position as a percentage of the total OPEB liability	60.10%
Measurement Date	June 30, 2017

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore, only one year is shown.

**FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

**SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u><b>2018*</b></u>
Contractually determined contribution	\$ 13,638
Contributions in relation to the contractually determined contributions	<u>13,638</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 Covered-employee payroll	 866,952
 Contributions as a percentage of covered payroll	  1.57%

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore, only one year is shown.



## **FIRST 5 SOLANO CHILDREN AND FAMILIES COMMISSION**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

#### **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 by July 1.

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

## **SUPPLEMENTARY INFORMATION**

**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, 2018**

Program	Source	Revenue SCCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	SCCFC Program Funds *	\$ 241,842	\$ 241,842	\$ -	\$ -	\$ -
	County, Local Funds	8,215	8,215	\$ -	\$ -	\$ -



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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**INDEPENDENT AUDITORS' 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  
Fairfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities 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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 28, 2018. Our report included an emphasis of matter regarding the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Varrinek, Shine, Day & Co., LLP*

Sacramento, California  
September 28, 2018



**VAVRINEK, TRINE, DAY & CO., LLP**  
*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### Compliance

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, 2018.

### Management's Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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. Those standards and the State of California's Standards and Procedures for Audits of Local Entities Administering the Children and Families Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
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

## **Opinion**

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, 2018.

## **Purpose of Report**

The purpose of this report on compliance is solely to describe the scope of our testing 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, issued by the Controller's Office. Accordingly, this report is not suitable for any other purpose.

*Vanninek, Irine, Day & Co., LLP*

Sacramento, California  
September 28, 2018