Financial Statements
June 30, 2020

First 5 Solano Children and Families Commission

(a Component Unit of the County of Solano, California)

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First 5 Solano Commission
Membership

(as of June 30, 2020)

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

Jennifer Barton, Vice Chair
District 3 Representative

Erin Hannigan
Solano County Board of Supervisors District 1

Gerald Huber
Director of Health & Social Services, Solano County

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

Lenesha Anderson
District 1 Representative

Mina Diaz
District 2 Representative

Tyffany Wanberg
District 4 Representative

Nicole Neff
District 5 Representative

CPAs & BUSINESS ADVISORS

Independent Auditor's 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, 2020, 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 statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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, as listed in the table of contents 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 or 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 Solano County Children and Families Commission (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 30, 2020 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
September 30, 2020

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, 2020. 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 $9,943,718 at June 30, 2020. $1,499,579 is reported as net investment in capital assets and $8,444,139 is unrestricted.
- The Commission's total net position increased by $1,206,270 primarily due to investment in capital assets in FY 2019/20.
- At June 30, 2020, the Commission's governmental funds reported an ending fund balance of $9,721,402, a decrease of $29,637 from June 30, 2019. Of the ending fund balance at June 30, 2020, $4,071,927 is categorized as committed for contractual obligations for First 5 program expenditures, and $604,651 categorized as assigned for contractual obligations for lease expenditures. The remaining fund balance of $5,044,824 is categorized as unassigned.

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 (FY2016/17-FY2025/26).

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 17-33 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 35-40 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 $9,943,718 at June 30, 2020.

First 5 Solano Children & Families Commission
Government-wide
Statement of Net Position
June 30, 2020 and 2019

	2020	2019
Assets:		
Current assets	$ 10,301,706	$ 10,224,457
Non-current assets	1,499,579	176,690
Total assets	11,801,285	10,401,147
Deferred Outflows of Resources:		
Deferred outflows related to pensions and OPEB	247,672	267,942
Total deferred outflows of resources	247,672	267,942
Liabilities:		
Current liabilities	543,357	501,970
Non-current liabilities	1,512,672	1,384,136
Total liabilities	2,056,029	1,886,106
Deferred Inflows of Resources:		
Deferred inflows related to pensions and OPEB	49,210	45,535
Total deferred inflows of resources	49,210	45,535
Net Position:		
Net investment in capital assets	1,499,579	176,690
Restricted	-	348,310
Unrestricted	8,444,139	8,212,448
Total net position	$ 9,943,718	$ 8,737,448

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

Current assets: Current assets increased by $77,249 from June 30, 2019. The primary reason is slight underspending on grants.

Non-current assets: Non-current assets increased by $1,322,889 from June 30, 2019. This was due to capitalization of tenant improvements on the renovations of the Commission's Vallejo First 5 Center.

Deferred outflows of resources: Deferred outflows of resources decreased by $20,270 from June 30, 2019. 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 $41,387 from June 30, 2019. 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 increased by $128,536 from June 30, 2019. The increase is due to an increase of the Commission's proportionate share of the net pension liability. Some contributing factors to the increase were the difference in expected and actual experience and changes in assumptions.

Deferred inflows of resources: Deferred inflows of resources increased by $3,675. The increase is attributable to current year changes in the net pension liability, net OPEB liability, related amortization, and other factors.

First 5 Solano Children & Families Commission
Statement of Activities
For the fiscal years ended June 30, 2020 and 2019

	2020	2019
Program expenses:		
Strategic plan implementation		
Employee services	$ 1,199,226	$ 1,248,962
Program evaluation costs	138,600	110,850
Countywide admin overhead	35,407	44,600
Interfund services	57,258	31,431
Professional & specialized services	75,145	61,182
Rents & leases	58,570	71,463
Memberships	7,354	7,354
Transportation & travel	10,164	9,063
Communication	8,875	5,853
Insurance	7,964	7,353
Special departmental expense	6,318	7,650
Supplies	3,077	2,999
Meals/Refreshments	2,208	3,682
Non capitalized equipment	97,764	4,363
Miscellaneous	30,615	6,531
Depreciation	136,325	-
Total strategic plan implementation expenses	1,874,870	1,623,336
Grant:		
Family support	562,360	306,697
Early mental health	396,900	450,554
Child care and development	421,076	340,645
Annual Grants	127,451	161,667
Pre K academy	188,233	187,828
Systems change	293,504	222,074
Community engagement	87,846	83,518
Co-sponsorship of conferences	750	9,650
Help me grow	231,028	200,000
Oral health	15,904	20,154
Emergency response	62,161	-
Total grant expenses	2,387,213	1,982,787
Total program expenses	4,262,083	3,606,123
Program revenues:		
Operating grants and contributions	4,251,679	3,722,846
Charges for services	467,755	454,418
Capital grants and contributions	571,500	525,000
Total program revenues	5,290,934	4,702,264
Net program revenues	1,028,851	1,096,141
General revenues:		
Investment income	177,419	174,281
Total general revenues	177,419	174,281
Change in net position	1,206,270	1,270,422
Net position:		
Beginning	8,737,448	7,467,026
End of the year	$ 9,943,718	$ 8,737,448

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

Program expenses - Strategic Plan Implementation:

Strategic Plan Implementation expenses increased overall from prior year by $251,534. The most significant increases are noted as follows:

- Together, noncapitalized equipment and miscellaneous increased by $117,785 which is mainly due to expenses related to furnishing and outfitting the Vallejo First 5 Center.
- Depreciation expense increased by $136,325 due to the completion of tenant improvements related to the Vallejo First 5 Center.

Program expenses-grants:

Grant expenses increased overall from prior year by $404,426. The most significant increases are noted as follows:

- Increase of $255,663 family support spending related to opening the Vallejo First 5 Center.
- Increase of $80,431 in child care and development related to quality early child care programming and spending down of the First 5 California IMPACT grant.
- Increase of $71,430 in systems change primarily due to implementation of a nonprofit capacity cohort for nonprofit partners to develop a Theory of Change model.
- Implementation of an Emergency Response fund to provide small grants to community partners to support them to continue to provide services during the COVID-19 pandemic.

Program revenue:

Program revenue increased from prior year by $642,704. This was primarily due to increased funding from First 5 California Proposition 10 annual allocations and IMPACT funding and capital contributions for tenant improvements for the Vallejo First 5 Center

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, 2020, the Commission's general fund reported an ending fund balance of $9,721,402. This was the result of a decrease to fund balance of $29,637 for the fiscal year ended June 30, 2020.

Governmental fund revenues totaled $5,401,853 in fiscal year 2019/20. This represents an increase of approximately 11% from fiscal year 2018/19. This increase is due to an increase in Proposition 10 revenue, IMPACT revenue, and capital grants and contributions for tenant improvements.

Governmental fund expenditures totaled $5,431,490 in fiscal year 2019/20. This represents an increase of approximately 56% from fiscal year 2018/19 due primarily to the tenant improvements for the Vallejo First 5 Center.

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 35 in the Required Supplementary Information (RSI) section of this report.

The final budgeted revenues increased from the original adopted budget by $590,000 for additional anticipated donations/grants for program activities of $490,000 and capital grants and contributions for tenant improvements of $100,000. The final budgeted expenditures increased from the original adopted budget by $1,600,254. This was primarily due to an increase in budgeted expenditures for capital outlay tenant related improvements and equipment.

Revenues recognized were more than budget by $454,817 as a result of increased intergovernmental revenue and capital grants and contributions, offset by a decrease in charges for various services. Expenditures incurred were less than budget by $1,330,027 due to the overall reduction in grant disbursement expenditures.

Capital assets – At June 30, 2020, the Commission has $1,499,579 of capital assets related to tenant improvements for the Vallejo First 5 Center. The Commission took occupancy and began depreciation in February 2020.

Long-term liabilities – At June 30, 2020, the Commission had $1,512,672 of long-term liabilities composed of the net pension liability, net OPEB liability, and compensated absences. For more information, see Note 5 on page 24 of this report.

Economic Factors and Next Year's Operating Activities

Fiscal Year 2020/21 will be the third year of the Commission's 2018-2023 Program Investment Plan. Grants budgeted revenue and expenditure will remain relatively stable with FY2019/20. Anticipated changes in FY2020/21 include a decrease in revenue and expenditure related to the completion of the of tenant improvements of the First 5 Center in Vallejo and any impacts related to the provision of services during the COVID-19 pandemic, such as decreased grant expenditures due to limitations in providing services due to COVID-19 pandemic related restrictions.

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, 3375 Sonoma Blvd., Ste 30, Vallejo, CA 94590.

	Governmental Activities
Assets	
Current assets	
Cash and investments in County Treasury	$ 9,577,906
Due from County	208,098
Due from State Commission	438,903
Due from other agencies	66,500
Prepaid expense	10,299
Total current assets	10,301,706
Noncurrent assets	
Capital assets, being depreciated, net	1,499,579
Total noncurrent assets	1,499,579
Total Assets	11,801,285
Deferred Outflows of Resources	
Deferred outflows related to pensions	232,855
Deferred outflows related to OPEB	14,817
Total Deferred Outflows of Resources	247,672
Liabilities	
Current liabilities	
Outstanding warrants	18,518
Accounts payable	297,615
Due to County	56,619
Due to other agencies	141,052
Compensated absences	29,553
Total current liabilities	543,357
Noncurrent liabilities	
Compensated absences, net of current portion	31,924
Net pension liability	1,440,709
Net OPEB liability	40,039
Total noncurrent liabilities	1,512,672
Total Liabilities	2,056,029
Deferred Inflows of Resources	
Deferred inflows related to pensions	39,135
Deferred inflows related to OPEB	10,075
Total Deferred Inflows of Resources	49,210
Net Position	
Net investment in capital assets	1,499,579
Unrestricted	8,444,139
Total Net Position	$ 9,943,718

	Governmental Activities
Program Expenses	
Strategic plan implementation	
Employee services	$ 1,199,226
Program evaluation costs	138,600
Countywide admin overhead	35,407
Interfund services	57,258
Professional & specialized services	75,145
Rents & leases	58,570
Memberships	7,354
Transportation & travel	10,164
Communication	8,875
Insurance	7,964
Special departmental expense	6,318
Supplies	3,077
Meals/Refreshments	2,208
Non capitalized equipment	97,764
Miscellaneous	30,615
Depreciation	136,325
Total strategic plan implementation expenses	1,874,870
Grants	
Family support	562,360
Early mental health	396,900
Child care and development	421,076
Annual grants	127,451
Pre K academy	188,233
Systems change	293,504
Community engagement	87,846
Co-sponsorship of conferences	750
Help me grow	231,028
Oral health	15,904
Emergency Response	62,161
Total grant expenses	2,387,213
Total program expenses	4,262,083
Program revenues	
Operating grants and contributions	4,251,679
Charges for services	467,755
Capital grants and contributions	571,500
Total program revenues	5,290,934
Net program revenues	1,028,851
General revenues	
Investment income	177,419
Total general revenues	177,419
Change in net position	1,206,270
Net position- beginning of year	8,737,448
Net position- end of year	$ 9,943,718

	General Fund
Assets	
Cash and investments in County Treasury	$ 9,577,906
Due from County	208,098
Due from State Commission	438,903
Due from other agencies	66,500
Prepaid expense	10,299
Total assets	$ 10,301,706
Liabilities	
Outstanding warrants	$ 18,518
Accounts payable	297,615
Due to County	56,619
Due to other agencies	141,052
Total liabilities	513,804
Deferred Inflows of Resources	
Unavailable revenue	66,500
Fund Balance	
Committed	4,071,927
Assigned	604,651
Unassigned	5,044,824
Total fund balance	9,721,402
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 10,301,706

Governmental Fund Balance	$ 9,721,402
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, next of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,499,579
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	232,855
Deferred inflows of resources related to pensions	(39,135)
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	14,817
Deferred inflows of resources related to OPEB	(10,075)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(61,477)
Long-term obligations- net pension liability	(1,440,709)
Long-term obligations- net OPEB liability	(40,039)
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:	66,500
Net position of governmental activities	$ 9,943,718

First 5 Solano Children and Families Commission
Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

	General Fund
Revenues	
Intergovernmental revenues	$ 3,785,487
Charges for services	467,755
Investment income	177,419
Donations/grants	466,192
Capital grants and contributions	505,000
Total revenues	5,401,853
Expenditures	
Current	
Strategic plan implementation:	
Employee services	1,045,744
Program evaluation costs	138,600
Countywide admin overhead	35,407
Interfund services	57,258
Professional & specialized services	75,145
Rents & leases	58,570
Memberships	7,354
Transportation & travel	10,164
Communication	8,875
Insurance	7,964
Special departmental expense	6,318
Supplies	3,077
Meals/Refreshments	2,208
Non capitalized equipment	97,764
Miscellaneous	30,615
Total strategic plan implementation expenditures	1,585,063
Grants	
Family support	562,360
Early mental health	396,900
Child care and development	421,076
Annual grants	127,451
Pre K academy	188,233
Systems change	293,504
Community engagement	87,846
Co-sponsorship of conferences	750
Help me grow	231,028
Oral health	15,904
Emergency response	62,161
Total grant expenditures	2,387,213
Capital outlay	
Tenant improvements	1,444,228
Equipment	14,986
Total capital outlay expenditures	1,459,214
Total expenditures	5,431,490
Net change in fund balance	(29,637)
Fund balance - beginning	9,751,039
Fund balance - ending	$ 9,721,402

Changes in fund balance - governmental funds	$ (29,637)
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 is allocated over their estimated useful lives and reported as depreciation expense.	
Tenant improvements	1,444,228
Equipment	14,986
Depreciation Expense	(136,325)
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.	(22,287)
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.	590
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.	(131,785)
In the Governmental Funds, some current year receivables are recorded as unavailable revenue due to income not being available. In the Government-Wide Statements, these amounts are recognized as income on the full accrual basis of accounting.	66,500
Change in net position of governmental activities	$ 1,206,270

Note 1 - Summary of Significant Accounting Policies

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), a component unit of the County of Solano, California, 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.

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 5 and note 6.

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. 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 5 and note 6.

Compensated Absences

As of June 30, 2020, the Commission estimated its liability for vested compensated absences to be $61,477. 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 restricted capital assets, net of accumulated depreciation. At June 30, 2020, $1,499,579 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.
- Unrestricted net position – All other resources making up net position that do not meet the definition of "restricted" or "net investment in capital assets." At June 30, 2020, $8,498,173 is 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 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.

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

- *Committed* – At June 30, 2020, the Commission reported $4,071,927 as committed for contractual obligations for First 5 program activities approved by the Board of Commissioners.
- *Assigned* –At June 30, 2020, the Commission reported $604,651 as assigned for contractual obligations for lease expenditures for the Commission's Vallejo office.
- *Unassigned* – At June 30, 2020, the Commission reported $5,044,824 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, 2019. 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 (that arise from changes in actuarial assumptions or other inputs and differences between actuarial or expected experience) are amortized as pension expense beginning with the period in which they occurred.

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, 2019. 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 (that arise from changes in actuarial assumptions or other inputs and differences between actuarial or expected experience) are amortized as OPEB expense beginning with the period in which they occurred.

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, 2020 is $9,577,906. 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.

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, 2020, 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, 2020 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, 2020 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 are reported in the governmental activities. Capital assets are defined by the Commission as assets with an initial cost of $5,000 and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Tenant improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of 10-40 years. Equipment is depreciated using the straight-line method over an estimated useful life of 3-7 years.

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

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement was effective upon issuance. The Commission implemented this statement effective July 1, 2019 and has determined that there was no impact on the Commission’s financial statements.

Note 2 - Compensated Absences

Changes in compensated absences for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	June 30, 2020	Amounts Due Within One Year
Compensated absences	$ 39,190	$ 55,980	$ 33,693	$ 61,477	$ 29,553
Total compensated absences	$ 39,190	$ 55,980	$ 33,693	$ 61,477	$ 29,553

Note 3 - Operating Leases

In March 2019, the Commission entered into a five-year operating lease for the rental of office space in Vallejo. The lease commencement date was based on the later of July 1, 2019 or on the notice of occupancy, which occurred in February 2020. Lease payments made during the fiscal year were $51,495 as of June 30, 2020. The future minimum lease payments required for this operating lease is as follow:

Fiscal Year Ended June 30	Amount
2021	$ 125,133
2022	128,887
2023	132,753
2024	136,736
2025	81,142
Total	$ 604,651

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets, not being depreciated					
Construction in progress - tenant improvements	$ 176,690	$ 1,444,228	$ -	$ (1,620,918)	$ -
Total capital assets, not being depreciated	176,690	1,444,228	-	(1,620,918)	-
Capital assets being depreciated					
Tenant Improvements	-	-	-	1,620,918	1,620,918
Equipment	-	14,986	-	-	14,986
Total capital assets being depreciated	-	14,986	-	1,620,918	1,635,904
Less accumulated depreciation for:					
Tenant Improvements	-	(135,076)	-	-	(135,076)
Equipment	-	(1,249)	-	-	(1,249)
Total accumulated depreciation	-	(136,325)	-	-	(136,325)
Total capital assets being depreciated, net	-	(121,339)	-	1,620,918	1,499,579
Governmental activities capital assets, net	$ 176,690	$ 1,322,889	$ -	$ -	$ 1,499,579

Note 5 - 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 (County). 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, 2020, is 10.681 percent. For the fiscal year ended June 30, 2020, the Commission was required to contribute $160,421 to the County.

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

At June 30, 2020, the Commission reported a liability of $1,440,709 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the Commission's proportionate share was 0.3376 percent and at June 30, 2020 the Commission's proportionate share was 0.3369 percent, a decrease of 0.007 percent.

For the year ended June 30, 2020, the Commission recognized pension expense of $292,937. At June 30, 2020, 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	$ 16,250	$ 15,458
Difference between expected and actual experience	56,184	2,745
Net difference between projected and actual earnings on pension plan investments	-	20,932
Employer contributions paid by the Commission subsequent to the measurement date	160,421	-
Total	$ 232,855	$ 39,135

$160,421 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, 2021. 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,		
2021	$	42,206
2022		(14,663)
2023		1,963
2024		3,793
Total	$	33,299

Actuarial assumptions - The Commission's proportion of the County's total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary increases	Varies by Entry Age and Serivce
Cost of Living Adjustments:	2.50%
Payroll Growth:	3.00%

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, 2018 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, Years 1 -10	Real Return 11+
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.00%		

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	$ 2,116,963	$ 1,440,709	$ 879,003

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, 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 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.

Note 6 - 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 $136 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 $136 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.

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.

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 $14,817 for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the Commission reported a liability of $40,039 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019. 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, 2019, the Commission’s proportionate share was 0.2154 percent and at June 30, 2020 the Commission’s proportionate share was 0.2497 percent, an increase of 0.0343 percent.

For the year ended June 30, 2020, the Commission recognized OPEB expense of $8,505. At June 30, 2020, 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	$ 14,817	$ -
Changes in assumptions	-	1,600
Differences between actual and expected experience	-	6,390
Net difference between projected and actual earnings on plan investments	-	2,085
Total	$ 14,817	$ 10,075

$14,817 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, 2021. 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
2021	$ (2,066)
2022	(2,066)
2023	(1,384)
2024	(1,269)
2025	(1,175)
2026 - 2027	(2,115)
Total	$ (10,075)

Actuarial Assumptions – The total OPEB liability in the January 1, 2019 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, 2019
Discount Rate	6.00%
Inflation	2.75%
Investment Rate of Return	6.00%
Medical Trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality Improvement	Morality projected fully generational with Scale MP-2018
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.

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
Global Equity	58.0%	4.82%
Fixed Income	35.0%	1.47%
REITs	2.0%	3.76%
Cash	5.0%	0.06%
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 (5.0%) or 1-percentage-point higher (7.0%) than the current discount rate:

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	$ 60,720	$ 40,039	$ 22,972

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	$ 19,894	$ 40,039	$ 65,044

* Non-Medicare trend rate of 7.5%, decreasing to an ultimate rate of 4.0% in 2076.
Medical trend rate of 6.5%, decreasing to an ultimate rate of 4.0% in 2076.

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

Note 7 - 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, 2020, the Commission spent $138,600 on program evaluation.

Note 8 - 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 9 - Related Party Transactions

The legally required composition of the Children and Families Commission includes a County Supervisor, two County Health & Social Services 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 2019/20 Expenses
County of Solano	$ 70,904
Solano County Office of Education	397,012
Parents By Choice	133,001

The Commission incurred expense of $55,000 for Early Periodic Screening Diagnosis and Treatment and $15,904 for Dental Services provided by the County of Solano department of Health and Social Services in fiscal year 2019/20.

The Commission incurred expenses of $256,251 for services provided related to the Improve and Maximize Programs so All Children Thrive (IMPACT) program, $27,453 for the Solano Kids Thrive Collective Impact program, $42,424 for the Center for Social and Emotional Foundations for Early Learning (CSEFEL) training, and $70,884 for the Raising a Reader program provided by the Solano County Office of Education in fiscal year 2019/20.

The Commission incurred expenses of $133,001 for services provided related to the Triple P program provided by Parents by Choice in fiscal year 2019/20.

Related Party	Fiscal Year 2019/20 Revenues
County of Solano	$ 424,984

The Commission earned revenues in the amounts of $368,902 for Mental Health Services, $25,000 for Non-Profit Capacity Building, $3,743 for Contracts Training, $22,389 for Community Health Improvement Plan services, and $4,950 for Public Health Dashboard services provided to the County of Solano Department of Health and Social Services in fiscal year 2019/20.

Required Supplementary Information
June 30, 2020

First 5 Solano Children and Families Commission

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues:				
Intergovernmental revenues	$ 3,386,143	$ 3,386,143	$ 3,785,487	$ 399,344
Charges for services	802,771	802,771	467,755	(335,016)
Investment income	163,122	163,122	177,419	14,297
Donations/grants	5,000	495,000	466,192	(28,808)
Capital grants and contributions	-	100,000	505,000	405,000
Total revenues	4,357,036	4,947,036	5,401,853	454,817
Expenditures:				
Current				
Strategic plan implementation				
Employee services	1,045,654	1,034,223	1,045,744	(11,521)
Program evaluation costs	140,000	140,000	138,600	1,400
Countywide admin overhead	35,407	35,407	35,407	-
Interfund services	69,770	69,770	57,258	12,512
Professional & specialized services	524,540	95,906	75,145	20,761
Rents & leases	12,700	53,896	58,570	(4,674)
Memberships	7,500	7,500	7,354	146
Transportation & travel	10,400	10,400	10,164	236
Communication	6,253	6,253	8,875	(2,622)
Insurance	7,964	7,964	7,964	-
Special departmental expense	4,725	4,725	6,318	(1,593)
Supplies	4,000	13,616	3,077	10,539
Meals/Refreshments	2,000	2,000	2,208	(208)
Non capitalized equipment	9,000	98,050	97,764	286
Miscellaneous	2,650	11,650	30,615	(18,965)
Total strategic plan implementation expenditures	1,882,563	1,591,360	1,585,063	6,297
Grants				
Family support	950,000	1,173,804	562,360	611,444
Early mental health	840,000	800,000	396,900	403,100
Child care and development	469,700	469,700	421,076	48,624
Annual grants	200,000	155,481	127,451	28,030
Pre K academy	200,000	204,840	188,233	16,607
Systems change	292,000	459,660	293,504	166,156
Community engagement	102,000	102,000	87,846	14,154
Co-sponsorship of conferences	25,000	25,000	750	24,250
Help me grow	200,000	200,000	231,028	(31,028)
Oral health	-	40,000	15,904	24,096
Emergency response	-	44,519	62,161	(17,642)
Total grant expenditures	3,278,700	3,675,004	2,387,213	1,287,791
Capital outlay				
Tenant improvements	-	1,479,585	1,444,228	35,357
Equipment	-	15,568	14,986	582
Total capital outlay expenditures	-	1,495,153	1,459,214	35,939
Total expenditures	5,161,263	6,761,517	5,431,490	1,330,027
Net change in fund balance	(804,227)	(1,814,481)	(29,637)	1,784,844
Fund balance - beginning			9,751,039	
Fund balance - ending			$ 9,721,402	

Schedule of the Commission's Proportionate Share of the Net Pension Liability - Last Ten Years

Years Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	$ 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	0.3369%	0.3376%	0.3225%	0.3307%	0.4065%	0.4228%
Commission's covered payroll	$ 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	262.24%	232.89%	220.26%	229.75%	198.80%	244.61%
Plan fiduciary net position as a percentage of the total pension liability	72.61%	73.40%	72.12%	72.73%	77.48%	79.35%
Measurement date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation of GASB 68, therefore, only six 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.

	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 160,421	$ 132,060	$ 172,253	$ 392,311	$ 268,681	$ 104,947
Contributions in relation to the actuarially determined contribution	160,421	132,060	172,253	392,311	268,681	104,947
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 583,314	$ 549,380	$ 570,009	$ 517,198	$ 586,638	$ 568,283
Contributions as a percentage of covered payroll	27.50%	24.04%	30.22%	75.85%	45.80%	18.47%

Notes to Schedule:

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

First 5 Solano Children and Families Commission

Schedule of the Commission's Proportionate Share of the Net OPEB Liability - Last Ten Years

Years Ended June 30, 2020

	2020	2019	2018
Commission's proportion of the net OPEB liability	$ 40,039	$ 46,029	$ 56,023
Commission's proportionate share of the net OPEB liability	0.2497%	0.2154%	0.2434%
Commission's covered payroll	$ 549,380	$ 570,009	$ 517,198
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.29%	8.08%	10.83%
Plan fiduciary net position as a percentage of the total OPEB liability	74.25%	65.40%	60.10%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

	2020	2019	2018
Contractually determined contribution	$ 14,817	$ 12,302	$ 13,638
Contributions in relation to the contractually determined contributions	14,817	12,302	13,638
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 583,314	$ 549,380	$ 570,009
Contributions as a percentage of covered payroll	2.54%	2.24%	2.39%

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore, only three 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 by July 1.

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.

Supplementary Information
June 30, 2020

First 5 Solano Children and Families Commission

Program	Source	Revenue SCCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	Solano County Children and Families Commission (SCCFC) Program Funds	$ 376,856	$ 376,856	$ -	$ -	$ -

CPAs & BUSINESS ADVISORS

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
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, 2020, 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 30, 2020.

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.

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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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sacramento, California
September 30, 2020

CPAs & BUSINESS ADVISORS

Independent Auditor's 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, 2020.

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

Auditor's 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:

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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
Long-range Financial Plans	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, 2020.

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.

Eide Bailly LLP

Sacramento, California
September 30, 2020