



## Agenda Submittal

**Agenda #:** 10 **Status:** Regular Calendar  
**Type:** Report **Department:** Auditor-Controller  
**File #:** 20-86 **Contact:** Phyllis Taynton, 784-6288  
**Agenda date:** 2/11/2020 **Final action:** 2/11/2020  
**Title:** Receive a presentation and accept the following reports for the fiscal year ended June 30, 2019: Solano County Comprehensive Annual Financial Report (CAFR), Report to the Board of Supervisors, Report to Management and the Single Audit Report; and the Report on Applying Agreed-Upon Procedures (AUP, GANN Limit) for the fiscal year ended June 30, 2020  
**Governing body:** Board of Supervisors  
**District:** All  
**Attachments:** 1. A - Link to the FY2018/19 CAFR, 2. B - Report to the Board of Supervisors, 3. C - Report to Management, 4. D - Single Audit, 5. E - GANN Limit (AUP), 6. F - Presentation, 7. Minute Order

Date	Ver.	Action By	Action	Result
2/11/2020	1	Board of Supervisors		

Published Notice Required? Yes ☐ No ☒  
Public Hearing Required? Yes ☐ No ☒

### DEPARTMENTAL RECOMMENDATION:

The Auditor-Controller's Office (ACO) recommends that the Board of Supervisors receive a presentation and accept the following reports for the fiscal year ended June 30, 2019: 1) Solano County Comprehensive Annual Financial Report (CAFR); 2) Report to the Board of Supervisors; 3) Report to Management; 4) Single Audit Report; and 5) Report on Applying Agreed-Upon Procedures (AUP, GANN Limit) for the fiscal year ended June 30, 2020.

### SUMMARY:

In accordance with Government Code §25250 and pursuant to the contract terms approved by the Board of Supervisors on April 3, 2018, Eide Bailly, L.L.P. (formerly Vavrinek, Trine, Day & Co., L.L.P.), CPAs, conducted the audit of the following reports: 1) Comprehensive Annual Financial Report (CAFR); 2) Report to the Board of Supervisors; 3) Report to Management; 4) Single Audit Report (all four reports are for fiscal year ended June 30, 2019); and 5) Report on Applying Agreed-Upon Procedures (AUP, GANN Limit) for the fiscal year ended June 30, 2020.

For the fiscal year ended June 30, 2019, the County received an unmodified opinion (clean opinion) on the CAFR. The Report to the Board of Supervisors did not note any significant or material audit matters. The Single Audit Report on internal controls over financial reporting did not identify any matters. The Single Audit Report on compliance identified three findings discussed below. The AUP, GANN Limit Report noted no exceptions.

Consistent with prior years, the Auditor-Controller's Office believes the current CAFR continues to meet the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting and has submitted it to the GFOA for consideration for this award.

### FINANCIAL IMPACT:

The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2019/20 Adopted Budget.

## **DISCUSSION:**

### **Comprehensive Annual Financial Report**

The ACO prepares the Comprehensive Annual Financial Report (CAFR). The CAFR includes an introductory section, a financial section, and a statistical section.

The *introductory section* provides general information on the County's structure, awards received and personnel as well as information useful in assessing the County's financial condition (pages 1-12).

The *financial* section (pages 13-142) contains the independent auditor's report, Management's Discussion and Analysis (MD&A, pages 19-30), the basic financial statements and required supplementary information.

Basic financial statements are defined as government-wide financial statements (pages 33-35), fund financial statements (pages 36-44), and notes to the financial statements (pages 45-99).

The focus of the government-wide financial statements is to report the extent to which the government has met its operating objectives, using all resources available for that purpose. The focus of the fund financial statements is to demonstrate the government's actions in the current period have complied with the public decisions in raising and spending the public funds within the budgetary cycle. The notes to the financial statements describe policies and additional detail or explanations concerning amounts in the financial statements.

The required supplementary information presents the schedules of changes in net pension liability and related ratios for the defined benefit pension plans (pages 103-104) and schedules of changes in net Other Postemployment Benefits (OPEB) liability and related ratios for the OPEB plan (page 105). Also, this section presents the County's budgetary comparison schedules for the General Fund (page 106) and all major special revenue funds (pages 107-108). The combining statements in connection with non-major governmental and internal service funds are presented immediately following the required supplementary information (pages 111-142).

The *statistical section* (pages 143-167) provides a broad range of trend data covering key financial indicators from the past 10 years. It also contains demographic and miscellaneous data useful in assessing the County's financial condition.

Areas of interest in the CAFR include the MD&A, the detailed note disclosures on cash and investments (pages 61-69), long-term obligations (pages 77-81), fund balance classifications (page 83), employee retirement plans (pages 85-92), and Post Employment Health Care Benefits (pages 92-95).

Additionally, the County's unfunded pension liability and pension activities are presented in the County's government-wide financial statements, note disclosures and supplementary schedules in accordance with the *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27*.

The County's Net Pension Liability of \$522,135,485 (\$392,453,735 for the Miscellaneous Plan and \$129,681,750 for the Safety Plan, excluding the Courts and Fair) is presented in the Statement of Net Position (page 33). This is a net decrease of \$9,741,000 from prior year's net pension liability of \$531,876,485. Additional detail and pension information is disclosed in the pension footnote (pages 85-92).

The County's unfunded OPEB liability and OPEB activities are presented in the County's government-wide financial statements, note disclosures and supplementary schedules in accordance with the Government Accounting Standard Boards (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

The County's Net OPEB Liability of \$21,373,000 is presented in the Statement of Net Position (page 33). This amount is a net decrease of \$1,515,955 from prior year's net OPEB obligation of \$22,888,955. Additional detail and OPEB information is disclosed in the OPEB footnote (pages 92-95).

### **Report to the Board of Supervisors**

The Report to the Board of Supervisors communicates any significant audit matters and other information containing audited financial statements. There were no significant material audit matters reported.

### **Report to Management**

The Report to Management communicates weaknesses in internal controls and related matters identified in the audit that warrant communication to management but are not material weaknesses in internal controls. The report identified the following instances that warrant communication to management. Managements' responses are included:

- 1) Purchasing Authorization - Registrar of Voters/Department of Information Technology
- 2) Debt Service Payment Requirement - Solano County Fair
- 3) Segregation of Duties: Journal Entry Review - General Accounting Division of the Auditor-Controller's Office

### **Single Audit Report**

The Single Audit Report is comprised of:

- 1) 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. The report did not identify any matters. The County received an unmodified opinion (clean opinion) for this report.
- 2) Independent Auditors' Report on Compliance for each major Federal program; Internal Control over Compliance; and the Schedule of Expenditures of Federal Awards (SEFA) required by the Uniform Guidance. The County received an unmodified opinion (clean opinion) for this report. The report did not identify any deficiencies in internal control over compliance that are considered to be material weaknesses or that would have modified each major program as reported; however, the auditing procedures disclosed three instances of non-compliance required to be reported and described in the schedule of findings:
  - a. Youth Program Work Experience, WIOA Cluster - the Workforce Development Board (WDB) of the County did not spend the minimum 20% of Youth Activity funds allocated under the grant agreement on paid and unpaid work experiences. WDB has implemented corrective actions strengthening its procedures to comply with program requirements.
  - b. Temporary Assistance for Needy Families Program, TANF Cluster - the County did not complete timely redeterminations of eligibility requirements for the program and lack of documentation of eligibility. The affected department has implemented corrective actions strengthening its procedures to improve timeliness and documentation.

- c. Temporary Assistance for Needy Families Program, TANF Cluster - the County lacked documentation of risk assessment and subrecipient monitoring and corresponding results. The affected department has implemented corrective actions strengthening its procedures to improve monitoring and documentation.

### **Report on Applying Agreed-Upon Procedures (GANN Limit)**

The Report on Applying Agreed-Upon Procedures (AUP, GANN Limit) communicates the procedures performed on the County's computation of the Gann Appropriations Limit for the fiscal year ending June 30, 2020. The report noted no exceptions.

The preparation of these reports would not have been possible without the dedication of the Auditor-Controller's staff. The ACO would like to specifically recognize Adrienne Clark, Jennifer Laron, Debbie Pierce, Ernestine Villanueva and Rebecca Fortune for their commitment and hard work. Credit must also be given to the County Administrator and the Board of Supervisors for their support in maintaining the highest standards of professionalism in the management of the County's finances. In addition, the ACO also like to thank other County departments for their cooperation and outstanding support in the preparation of these reports.

### **ALTERNATIVES:**

The Board of Supervisors could elect not to accept the audit reports as presented; however, this alternative is not consistent with sound public policy and is therefore not recommended.

### **OTHER AGENCY INVOLVEMENT:**

The ACO was the liaison between the external auditors, Eide Bailly, L.L.P. and other County departments, including the Workforce Development Board. As the liaison, the ACO coordinated test work and meetings with County departments, facilitated access to financial system (OneSolution) reports and supporting documentation, etc. Prior to the final issuance of the various reports, the ACO invited staff from the County Administrator's Office, the Grand Jury, and County departments to meet with Eide Bailly, L.L.P., to review and discuss the contents of the various audit reports.

### **CAO RECOMMENDATION:**

**APPROVE DEPARTMENTAL RECOMMENDATION**