

County of Solano  
Office of the Auditor-Controller



**AN AUDIT OF THE  
FIRST 5 SOLANO  
CHILDREN & FAMILIES COMMISSION**

**Independent Auditor's Report and Financial Statements**

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters**

**Independent Auditor's Report on State Compliance**

**For the fiscal year ended June 30, 2017**

**Auditor-Controller: Simona Padilla-Scholtens, CPA  
Assistant Auditor-Controller: Phyllis Taynton, CPA  
Deputy Auditor-Controller: Kirk Starkey  
Auditor: Melinda S. Ingram, CPA**

**First 5 Solano  
Children & Families Commission  
For the fiscal year ended June 30, 2017**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>First 5 Solano Commission</b> .....	1
<b>Independent Auditor's Report</b> .....	3
<b>Management's Discussion and Analysis</b> .....	6
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities .....	14
Fund Financial Statements	
Balance Sheet – Governmental Fund.....	15
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities.....	18
Notes to the Financial Statements.....	19
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance General Program, Budget and Actual.....	29
Notes to Required Supplementary Information.....	30
<b>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</b> .....	31
<b>Independent Auditor's Report on State Compliance</b> .....	33

**First 5 Solano Children & Families Commission  
Board of Commissioners  
(as of September 25, 2017)**

Liz Niedziela, Chair  
Transit Program Manager, Solano Transportation Authority

Erin Hannigan, Vice Chair  
Solano County Board of Supervisors District 1

Dan Ayala  
Retired Air Force Technical Sergeant

Marisela Barbosa  
Monarch Engineers, Vice President

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

Lisette Estrella-Henderson  
Solano County Superintendent of Schools

Gerald Huber  
Director of Health & Social Services, Solano County

Scott Ingham  
Business Owner

Nicole Neff  
Parent

**Executive Director:**  
Michele D. Harris

**Deputy Director:**  
Megan E. Richards

(This page intentionally left blank.)



Board of Commissioners  
First 5 Solano  
Children and Families Commission  
Fairfield, CA 94533

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the First 5 Solano Children & Families Commission (Commission), a department (fund) of Solano County, as of and for the fiscal year ended June 30, 2017, 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 and in accordance with guidelines established by the State First 5 Commission; 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 of 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 error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the First 5 Solano Children & Families Commission as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Information on pages 6 through 12 and page 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to *Government Auditing Standards Statement No. 3*, more specifically, the general standard related to independence. As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing, and financial reporting functions. These activities could impair an audit organization's independence. Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although the Auditor-Controller is statutorily obligated to maintain the accounts of departments, districts, or funds that reside within the county treasury, we believe the following safeguards and division of responsibility exists:

- The Internal Audit Division has the responsibility to perform audits and as such has no other responsibility for the accounts and records being audited including the approval or posting of financial transactions that would therefore preclude the reader of this report from relying on the information contained therein.
- In addition, the Auditor-Controller is an independent elected official and does not engage in management decisions on behalf of the audited entity.

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

In accordance with Government Auditing Standards, we also have issued our report dated September 25, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the First 5 Solano Children & Families Commission's internal control over financial reporting and compliance.

As discussed in Note I, the financial statements present only the Commission and do not purport to, and do not present fairly the financial position of the County of Solano, as of June 30, 2017, the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Simona Padilla-Scholtens, CPA  
Auditor-Controller

By:



Phyllis Taynton, CPA  
Assistant-Auditor-Controller

Fairfield, California

September 25, 2017



## CHILDREN ARE OUR BOTTOM LINE

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

As management of the First 5 Solano Children & Families Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information in our financial statements.

#### **Financial Highlights**

- The Commission's net position totaled \$7,207,085 at June 30, 2017. The entire \$7,207,085 is restricted for the use of specific government programs as outlined under the California Children and Families Act of 1998 (Proposition 10).
- The Commission's total net position increased by \$260,321 as a result of the following factors:
  - 1) The current fiscal year's operations increased net position as revenues from First 5 Solano's major funding source, Proposition 10 tobacco tax as well as charges for services provided to Health & Social Services outpaced program expenses.
  - 2) The increase to net position also included general revenues which consisted primarily of interest income earned from the Commission's cash maintained in the County Treasury.
- At June 30, 2017, the Commission's governmental funds reported an ending fund balance of \$8,385,908, an increase of \$278,839 from June 30, 2016. The entire amount of \$8,385,908 is restricted as a result of the enabling legislation enacted under the California Children and Families Act of 1998 (Proposition 10).

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

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

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

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



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

The government-wide financial statements can be found on pages 13-14 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 15-18 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 19-27 of this report.

**Other 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 Special Revenue Fund. Required supplementary information can be found on pages 29-30 of this report.

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

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. In the case of the Commission, assets/deferred outflows of resources exceeded liabilities/deferred inflows of resources by \$7,207,085 at June 30, 2017.

As previously stated, the Commission's total restricted net position as of June 30, 2017 has limitations on their use imposed by the California Children and Families Act of 1998 (Proposition 10).

**First 5 Solano Children & Families Commission  
Government-wide  
Statement of Net Position  
June 30, 2017 & 2016**

	6/30/2017	6/30/2016
<b>Assets:</b>		
Current and other assets	\$ 8,842,884	\$ 9,169,639
Total assets	8,842,884	9,169,639
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pensions	392,311	268,681
Total deferred outflows of resources	392,311	268,681
<b>Liabilities:</b>		
Current liabilities	456,976	1,062,570
Non-current liabilities	1,386,062	1,167,495
Total liabilities	1,843,038	2,230,065
<b>Deferred Inflows of Resources:</b>		
Deferred inflows related to pensions	185,072	261,491
Total deferred inflows of resources	185,072	261,491
<b>Net Position:</b>		
Restricted	7,207,085	6,946,764
Total net position	\$ 7,207,085	\$ 6,946,764

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

Current assets: Current assets decreased by \$326,755 from June 30, 2016. The primary reason is a reduction in the anticipated amount due from other agencies, most specifically Proposition 10 tobacco tax funding from First 5 California, at fiscal year-end. The effect of Proposition 56, the Tobacco Tax Increase Initiative resulted in lower allocations for May and June as retailers increased purchases at the lower rate prior to the April 1, 2017 effective date.

Deferred outflows of resources: Deferred outflows of resources increased by \$123,630 from June 30, 2016. The increase is attributable to employer contributions to the pension 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 decreased by \$605,594 from June 30, 2016. The decrease is due to no amounts owed at fiscal year-end to the Department of Health and Social Services for administration of the Baby First Pre-Natal Program which was not a part of the FY 2016/17 funding cycle. In addition, amounts owed to vendors for goods and services received prior to fiscal year-end decreased as well.

Non-current liabilities: Non-current liabilities increased by \$218,567 from June 30, 2016. The increase is due to adjustments recorded to the Commission's Net Pension Liability as required by Governmental Accounting Standards Board (GASB) Statement No. 68-Financial Reporting for Pensions.

Deferred inflows of resources: Deferred inflows of resources decreased by \$76,419. The decrease is attributable to current year changes in the net pension liability, related amortization, and other factors.

**Governmental activities** increased the Commission's net position by \$260,321 during fiscal year 2016/17, which represents an increase of approximately 4% from total net position at June 30, 2016.

**First 5 Solano Children & Families Commission's  
Change in Net Position  
For the fiscal years ended June 30, 2017 & 2016**

	2017	2016
<b>Program expenses:</b>		
<b>General:</b>		
Employee services	\$ 841,114	\$ 890,006
Program evaluation costs	131,250	209,000
Interfund services	57,185	99,579
Professional & specialized services	55,818	91,765
Special departmental expense	2,412	9,763
Rents & leases	51,364	45,100
Insurance	5,276	6,837
Communication	5,966	5,798
Memberships	7,226	5,419
Meals/Refreshments	1,593	2,197
Utilities	-	5,100
Transportation & travel	6,661	4,697
Non-capitalized equipment	113	1,924
Supplies	1,695	1,811
Countywide admin overhead	67,044	62,640
Miscellaneous	8	205
<b>Total general expenses</b>	1,234,725	1,441,841
<b>Grant:</b>		
Early mental health	483,430	792,882
SR family support	594,426	642,275
Pre-natal	-	470,090
EPSDT- Early Periodic Screening Diagnosis & Treatment	215,803	264,842
Health access initiative	120,381	241,433
Child care-CARES	-	240,217
Pre K academy	186,363	230,649
Child care and development	323,234	255,802
H&SS IFSI - Family Strengthening Project	187,956	185,272
Parent education	-	115,017
Collaboration	9,761	102,027
Community engagement	83,223	67,049
Pre-natal grants	34,889	33,839
Systems change	153,104	27,397
Co-sponsorship of conferences	11,500	7,744
<b>Total grant expenses</b>	2,404,070	3,676,535
<b>Total program expenses</b>	3,638,795	5,118,376
<b>Program revenues:</b>		
Operating grants and contributions	3,514,874	3,786,163
Charges for services	316,920	615,344
<b>Total program revenues</b>	3,831,794	4,401,507
<b>Net program revenues</b>	192,999	(716,869)
<b>General revenues:</b>		
Revenues from the use of money and property	66,782	55,056
Miscellaneous	540	3,924
<b>Total general revenues</b>	67,322	58,980
<b>Change in net position</b>	260,321	(657,889)
<b>Net position:</b>		
Beginning of the fiscal year	6,946,764	7,514,061
Prior period adjustment	-	90,592
Beginning, as restated	6,946,764	7,604,653
<b>End of the fiscal year</b>	\$ 7,207,085	\$ 6,946,764

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

**Program expenses-general:**

General expenses decreased overall from prior year by (\$207,116). The most significant decreases are noted as follows:

- Employee services decreased in the amount of (\$48,892) as a result of reduced staffing (Contract & Program Specialist and Office Assistant II positions eliminated).
- Program evaluation costs decreased in the amount of (\$77,750) as a result of a reduction for the current year Applied Survey Research (ASR) contract. In addition, ASR contract services were split between Data Collection and Systems Change projects.
- Interfund services decreased in the amount of (\$42,394) primarily due to the one-time funding of improvements at the Beck Avenue childcare site occurring in FY 2015/16.
- Professional and specialized services decreased in the amount of (\$35,947) due to consulting services used in fiscal year 2015/16 to assist the Commission in strategic planning.

**Program expenses-grants:**

Grant expenses decreased overall from prior year by (\$1,272,465) as a result of both reduced and discontinued funding of various programs. Significant changes are as follows:

Funding for the following programs was discontinued for the current year funding cycle:

- BabyFirst Pre-Natal Program - (\$470,090)
- Child Care -CARES - (\$240,217)
- Parent Education - (\$115,017)

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

- Early Mental Health - (\$309,452)
- SR Family Support - (\$47,849)
- Health Access Initiative - (\$121,052)
- Pre K Academy - (\$47,286)
- Collaboration - (\$92,266)
- EPSDT-(\$49,039)

Conversely, Systems Change (formerly First 5 Futures) and the Child Care and Development Program funding increased in the amount of \$125,707 and \$67,432, respectively.

### **Program revenue:**

Program revenue decreased from prior year by (\$569,713) as a result of reduced funding from both First 5 California Proposition 10 annual allocations as well as charges for services provided to Health & Social Services Mental Health Division to administer early childhood mental health programs. Various factors identified by First 5 Solano management contributed to the underutilization of funded services including the closure of a key service provider and Medi-Cal providing funded mental health services to children enrolled in the program, thus requiring fewer services from First 5 Solano funding sources.

### **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 Special Revenue Fund is a governmental fund type that is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. 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, 2017, the Commission's governmental fund reported an ending fund balance of \$8,385,908. This was the result of an increase to fund balance of \$278,839 for the fiscal year ended June 30, 2017. The entire \$8,385,908 is restricted for the purposes outlined under the California Children and Families Act of 1998 (Proposition 10).

Governmental revenues totaled \$3,899,116 in fiscal year 2016/17. This represents a decrease of approximately 13% from fiscal year 2015/16.

Governmental expenditures totaled \$3,620,277 in fiscal year 2016/17. This represents a decrease of approximately 30% from fiscal year 2015/16 due primarily to the overall decrease for various services funded by grant expenditures.

### **Budgetary Highlights**

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

There were changes between the adopted budget and the final budget resulting in an increase in appropriations for contingencies. Revenues recognized were less than budget by \$210,628 as a result of less charges for services provided to Health & Social Services Mental Health Division for early childhood mental health programs. Expenditures incurred were less than budget by \$2,484,858 due to the overall reduction in grant disbursement expenditures (\$1,028,514) resulting from the new funding cycle which reduced overall allocations to various grant categories. In addition, the contingencies budget line item (\$1,347,029) was not utilized.

## **Debt Administration**

*Long-term debt.* At June 30, 2017 the Commission had \$1,386,062 of long term debt composed of the net pension liability and compensated absences. This amount is entirely backed by the full faith and credit of the First 5 Solano Children & Families Commission. For more information, see Note II A on page 23 of this report.

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

The Commission has completed an update of its Strategic Plan and Program Investment Plan which continues to decrease the expenditure plan for FY2017/18 to maintain expenditures in line with ongoing revenue. This strategy allows the Commission to support its program investments at an appropriate level for the sustained effective delivery of services.

The following services will be funded during fiscal year 2017/18:

- Family Support Services
- Prenatal and Children's Health Insurance Outreach
- Early Childhood Mental Health Services
- Quality Child Care Services
- Pre-Kindergarten Academy Services

In addition, the Commission adopted a priority area of Systems Change to proactively pursue opportunities to strengthen, expand, integrate and sustain the early childhood system in Solano County.

Commission management continues its fiscal policy of managing operating costs associated with Commission operations. For fiscal year 2017/18, the Commission continues the second year of a two-year funding cycle. Expenditures are projected to be on par with fiscal year 2016/17 levels. The Commission intends to bring ongoing expenditures in line with the level of ongoing revenues.

## **Requests for Information**

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

**First 5 Solano Children & Families Commission**  
**Government-Wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2017**

**ASSETS**

**Current assets**

Cash & equivalents	\$ 8,304,924
Due from other County funds	145,593
Due from State Commission	392,367
Total current assets	8,842,884
Total assets	8,842,884

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to pensions	392,311
Total deferred outflows of resources	392,311

**LIABILITIES**

**Current liabilities**

Outstanding warrants	64,349
Accounts payable	226,972
Due to other County funds	104,573
Due to other agencies	61,082
Total current liabilities	456,976

**Noncurrent liabilities**

Compensated absences	38,275
Net pension liability	1,347,787
Total noncurrent liabilities	1,386,062
Total liabilities	1,843,038

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	185,072
Total deferred inflows of resources	185,072

**NET POSITION**

Restricted	7,207,085
Total net position	\$ 7,207,085

The notes to the financial statements are an integral part of this statement.

**First 5 Solano Children & Families Commission**  
**Government-Wide Financial Statements**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

**Program expenses:**

**General**

Employee services	\$ 841,114
Program evaluation costs	131,250
Countywide admin overhead	67,044
Interfund services	57,185
Professional & specialized services	55,818
Rents & leases	51,364
Memberships	7,226
Transportation & travel	6,661
Communication	5,966
Insurance	5,276
Special departmental expense	2,412
Supplies	1,695
Meals/Refreshments	1,593
Non capitalized equipment	113
Miscellaneous	8
<b>Total general expenses</b>	<u>1,234,725</u>

**Grants**

SR family support	594,426
Early mental health	483,430
Child care and development	323,234
EPSDT - Early Periodic Screening Diagnosis & Treatment	215,803
H&SS IFSI - Family Strengthening Project	187,956
Pre K academy	186,363
Systems change	153,104
Health access initiative	120,381
Community engagement	83,223
Pre-natal	34,889
Co-sponsorship of conferences	11,500
Collaboration	9,761
<b>Total grant expenses</b>	<u>2,404,070</u>
<b>Total program expenses</b>	<u>3,638,795</u>

**Program revenues:**

Operating grants and contributions	3,514,874
Charges for services	316,920
<b>Total program revenues</b>	<u>3,831,794</u>

**Net program revenues**

192,999

**General revenues:**

Revenues from the use of money and property	66,782
Miscellaneous	540
<b>Total general revenues</b>	<u>67,322</u>

**Change in net position**

260,321

Net position- beginning	6,946,764
Net position- end of the fiscal year	<u>\$ 7,207,085</u>

The notes to the financial statements are an integral part of this statement.



**First 5 Solano Children & Families Commission**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

**Assets**

Cash & equivalents	\$ 8,304,924
Due from other County funds	145,593
Due from State Commission	392,367
Total assets	\$ 8,842,884

**Liabilities**

Outstanding warrants	\$ 64,349
Accounts payable	226,972
Due to other County funds	104,573
Due to other agencies	61,082
Total liabilities	456,976

**Fund Balance**

Restricted	\$ 8,385,908
Total fund balance	8,385,908
Total liabilities and fund balance	\$ 8,842,884

The notes to the financial statements are an integral part of this statement.

**First 5 Solano Children & Families Commission  
 Reconciliation of the Balance Sheet  
 of Governmental Funds to the Statement of Net Position  
 June 30, 2017**

Governmental fund balance	\$ 8,385,908
---------------------------	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Deferred inflows and outflows of resources related to the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:

Deferred outflow-pension	392,311
Deferred inflow-pension	(185,072)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(38,275)
Other long-term obligations-pension liability	<u>(1,347,787)</u>

Net position of governmental activities	<u>\$ 7,207,085</u>
---	---------------------

The notes to the financial statements are an integral part of this statement.

**First 5 Solano Children & Families Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

Revenues:	
Intergovernmental revenues	\$ 3,505,889
Charges for services	316,920
Revenues from the use of money and property	66,782
Pre K Academy donations	8,985
Miscellaneous	540
Total revenues	<u>3,899,116</u>
Expenditures:	
General	
Employee services	822,596
Program evaluation costs	131,250
Countywide admin overhead	67,044
Interfund services	57,185
Professional & specialized services	55,818
Rents & leases	51,364
Memberships	7,226
Transportation & travel	6,661
Communication	5,966
Insurance	5,276
Special departmental expense	2,412
Supplies	1,695
Meals/Refreshments	1,593
Non capitalized equipment	113
Miscellaneous	8
Total general expenditures	<u>1,216,207</u>
Grants	
SR family support	594,426
Early mental health	483,430
Child care and development	323,234
EPSDT - Early Periodic Screening Diagnosis& Treatment	215,803
H&SS IFSI - Family Strengthening Project	187,956
Pre K academy	186,363
Systems change	153,104
Health access initiative	120,381
Community engagement	83,223
Pre-natal grants	34,889
Co-sponsorship of conferences	11,500
Collaboration	9,761
Total grant expenditures	<u>2,404,070</u>
Total expenditures	<u>3,620,277</u>
Excess of revenues over expenditures	278,839
Fund balance - beginning	8,107,069
Fund balance - ending	<u>\$ 8,385,908</u>

The notes to the financial statements are an integral part of this statement.

**First 5 Solano Children & Families Commission  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balance of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2017**

Changes in fund balance - governmental funds	\$ 278,839
--	------------

Amounts reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in pension expense	(18,003)
Change in compensated absences	<u>(515)</u>

Change in net position of governmental activities	<u><u>\$ 260,321</u></u>
---	--------------------------

**First 5 Solano Children & Families Commission**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

The activities of the Commission are accounted for as a special revenue fund. This is a governmental fund type which is a part of the basic financial statements of the County of Solano, the reporting entity. The special revenue fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

**B. Government-wide and Fund Financial Statements**

The Commission's financial accounts are maintained in accordance with generally accepted accounting principles (GAAP) and the uniform accounting system for counties prescribed by the State Controller in compliance with the Government Code of the State of California.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental revenue, interest income and other items not included among program revenues are reported as general revenues.

## **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proposition 10 funds, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Commission reports the following major governmental fund:

The *General Program Fund* is the Commission's primary operating fund. This Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

The amounts reported as program revenues in the statement of activities include operating grants and contributions received from First 5 California as well as charges to customers for program services. General revenues include interest income.

## **D. Assets, Liabilities, Net Position or Equity**

### ***1. Cash and Cash Equivalents***

The Commission's cash is maintained in the County Treasury and is pooled with the County of Solano and various other depositors. The Commission is a mandatory depositor, pursuant to Solano County Code § 7.3 and Health & Safety Code § 130105. 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.

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

California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms of maturity. A detailed breakdown of cash and investments and a categorization of risk factors per GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, are presented in the County of Solano Comprehensive Annual Financial Report.

## ***2. Due from Other County Funds***

Due from other county funds 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.

## ***3. 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, 2017 for amounts approved but not received.

## ***4. 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 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. As of June 30, 2017, the Commission has five items reportable on the Statement of Net Position related to pensions resulting from employer contributions subsequent to the measurement date as well as current year changes in the net pension liability and related amortization.

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 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. The Commission has four items reportable on the Statement of Net Position related to pensions resulting from current year changes in the net pension liability, related amortization and other factors.

## ***5. 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.

## ***6. Accounts Payable***

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

## **7. *Due to Other County Funds***

Due to other funds represents amounts owed to funds within the reporting entity (Solano County) for grantee services provided by the Department of Health and Social Services.

## **8. *Due to Other Agencies***

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

## **9. *Compensated Absences***

The Commission follows County policy which permits permanent employees to accumulate earned but unused vacation and sick leave benefits. Accrued vacation and sick leave is paid at the time of the employee's termination or retirement based on established County limitations. Compensated absences leave is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental fund only if unused vacation and sick leave after limitations are expected to be liquidated (paid out due to an employee separating from service with the Commission) with expendable available financial resources.

The notes to the County's basic financial statements provide detail for the County as a whole regarding compensated absences in accordance with accounting principles generally accepted in the United States of America.

## **10. *Pensions***

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

## **11. *Net Position/Fund Balance***

The government-wide financial statements utilize a net position presentation. The net position is categorized as restricted.

- *Restricted* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

The various categories of fund balance represent relative strength or hierarchy of spending constraints. These categories are established either by inherent, external or internal limitations.



As of June 30, 2017, fund balance was categorized as follows:

- *Restricted* – the constraints imposed by the enabling legislation of Proposition 10 represents a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

## 12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## II. DETAILED NOTES

### A. Long-term debt

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	\$ 1,129,735	\$ 404,274	\$ 186,222	\$ 1,347,787	\$ -
Compensated absences	37,760	515	-	38,275	-
Total long-term liabilities	<u>\$ 1,167,495</u>	<u>\$ 404,789</u>	<u>\$ 186,222</u>	<u>\$ 1,386,062</u>	<u>\$ -</u>

## III. OTHER INFORMATION

### A. Description of Programs

#### 1. General Programs

General programs address the issue of developing a comprehensive, collaborative, and integrated system of information and services to promote, support, and optimize early childhood development from the prenatal stage to five years of age. General program expenses capture those costs related to the programmatic and administrative staffing and operations of the First 5 Solano.

#### 2. Pre-Kindergarten Academies

Pre-Kindergarten Academies are offered throughout the County and provide quality early childhood experiences for entering kindergarteners who lack prior preschool experience or have another high-risk factor such as English language learner, poverty, remoteness, substance abuse, family violence, child abuse and neglect, special needs, and other

challenges. Pre-K Academies are designed to support school readiness, both for the entering kindergartener as well as the family and the school.

### **3. *Family Strengthening Partnerships***

Family Strengthening Partnerships (FSP) is a comprehensive set of services centrally coordinated through the Family Resource Center network in Solano County designed to reduce child abuse and neglect and increase family stability. Services include case management, basic needs, financial literacy, and parent education. FSP offers neighborhood based services, including multi-disciplinary team case conferencing (including a Child Welfare Services Social Worker and Public Health Nurse), information-sharing, and provider capacity-building and support.

### **4. *Quality Child Care***

#### **a. *Improving and Maximizing Programs so All Children Thrive (IMPACT)***

IMPACT is a jointly funded (First 5 Solano and First 5 California) program designed to support a network of local quality improvement systems to better coordinate, assess, and improve the quality of early learning settings. IMPACT provides a systems level approach through a local consortium along with individual supports to a variety of early learning settings.

#### **b. *Head Start Wrap-Around Care***

Head Start Wrap-Around funds full-day, full-year care for 40 children in the Head Start Program.

#### **c. *Head Start Facility***

The Head Start facility provides child care spaces for up to 36 children in the Early Head Start and Head Start Program at the County Facility on Beck Avenue in Fairfield.

### **5. *Prenatal Services – Health Insurance***

This prenatal program ensures pregnant women and newborns are enrolled in health insurance.

### **6. *Children’s Health Access***

Solano Kids Insurance Program (SKIP) increases the number of children ages 0-5 who have health insurance and access to health services. The program includes outreach, enrollment, assistance to access medical services, and health insurance retention assistance.

### **7. *Early Childhood Mental Health***

#### **a. *Early Periodic Screening Diagnosis and Treatment (EPSDT)***

Solano County Health & Social Services Department implements the EPSDT program, which provides early mental health screening, assessment and treatment to Medi-Cal-eligible children. The Commission funding leverages state and

federal match which exponentially increases the capacity of the early childhood mental health system.

**b. *Partnership for Early Access for Kids (PEAK)***

PEAK is a county-wide, multi-agency collaborative that provides developmental and mental health screening, assessment and treatment for early identification and intervention for infants and young children. The partners also provide parent and provider education on mental health and developmental needs along with a centralized call center to connect families to services through Solano County. This program is jointly funded by First 5 Solano and Solano County Mental Health Services Act-Prevention and Early Intervention.

**8. *Collaboration***

Collaboration efforts are provided through Help Me Grow Solano which is an affiliate program that uses existing resources and builds collaboration across sectors (child health care, early care and education, family support, and others) to connect at-risk children with the services they need.

**9. *Systems Change***

Systems change efforts are implemented by First 5 Solano staff with the intention of achieving the goal that “The early childhood systems are strengthened, integrated, expanded, and sustained.”

**10. *Other Programs***

First 5 Solano also funds a variety of internal programs. These programs include community engagement efforts, customization of the First 5 California Kit for New Parents for distribution in Solano County, the co-sponsorship of conferences and other trainings for providers of services to children 0-5 and their families, and organizational supports for agencies partnering with First 5 Solano to provide services in the County.

**B. *Program Evaluation Costs***

The Commission spent \$131,250 on program evaluation during the audit period. Evaluation activities include an ongoing, countywide evaluation of First 5 Solano Children and Families Commission funded programs, initiatives and system-change activities aimed at improvements in the health, well-being and development of young children.

**C. *General Information about the Pension Plan***

**1. *Plan Description***

The Commission participates in the County of Solano’s Miscellaneous Plan (Plan), a defined benefit pension plan. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The County's Miscellaneous Plan (Plan) is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through County ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

## ***2. Benefits Provided***

CalPERS provides 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. 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 the plan are applied as specified by the Public Employees' Retirement Law.

The Commission's pension plan information is not reported separately but rather included in the CalPERS GASB 68 Accounting Valuation Report for the Solano County Miscellaneous Plan. The notes to the County of Solano Comprehensive Annual Financial Report provide detail for the County as a whole regarding plan provisions and benefits, actuarial funding and assumptions, annual pension costs and net pension liability as required in accordance with accounting principles generally accepted in the United States of America. Additional information may be found on the Solano County website at [http://www.solanocounty.com/depts/auditor/finance\\_reports.asp](http://www.solanocounty.com/depts/auditor/finance_reports.asp).

## **D. Post Employment Health Care Benefits**

### ***1. 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 \$128 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 \$128 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>.

The Commission's healthcare plan information is not reported separately from the County. The notes to the County of Solano Comprehensive Annual Financial Report provide detail for the County as a whole regarding plan provisions and benefits, funding policy, annual Other Post Employment Benefit (OPEB) cost, net OPEB liability, funded status and funding progress and actuarial methods and assumptions as required in accordance with accounting principles generally accepted in the United States of America. Additional information may be found on the Solano County website at [http://www.solanocounty.com/depts/auditor/finance\\_reports.asp](http://www.solanocounty.com/depts/auditor/finance_reports.asp).

#### **E. Risk Management**

The 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**First 5 Solano Children & Families Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Program**  
**Budget and Actual**  
**For the fiscal year ended June 30, 2017**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Intergovernmental revenues	\$ 3,427,247	\$ 3,427,247	\$ 3,505,889	\$ 78,642
Charges for services	641,841	641,841	316,920	(324,921)
Revenues from the use of money & property	35,656	35,656	66,782	31,126
Pre K Academy pledges	5,000	5,000	8,985	3,985
Miscellaneous	-	-	540	540
<b>Total revenues</b>	<u>4,109,744</u>	<u>4,109,744</u>	<u>3,899,116</u>	<u>(210,628)</u>
<b>Expenditures:</b>				
<b>General</b>				
Employee services	889,693	889,693	822,596	67,097
Program evaluation costs	140,000	140,000	131,250	8,750
Countywide Admin O/H	67,044	67,044	67,044	-
Interfund services	52,300	52,300	57,185	(4,885)
Professional & specialized services	84,337	84,337	55,818	28,519
Rents & leases	51,500	51,500	51,364	136
Memberships	7,226	7,226	7,226	-
Transportation & travel	7,300	7,300	6,661	639
Communication	6,171	6,171	5,966	205
Insurance	5,276	5,276	5,276	-
Special departmental expense	5,225	5,225	2,412	2,813
Supplies	4,200	4,200	1,695	2,505
Meals/Refreshments	1,000	1,000	1,593	(593)
Non capitalized equipment	3,000	3,000	113	2,887
Maintenance	1,000	1,000	-	1,000
Contingencies	1,006,525	1,347,029	-	1,347,029
Miscellaneous	250	250	8	242
<b>Total general expenditures</b>	<u>2,332,047</u>	<u>2,672,551</u>	<u>1,216,207</u>	<u>1,456,344</u>
<b>Grants</b>				
SR family support	672,044	672,044	594,426	77,618
Early mental health	1,030,000	1,030,000	483,430	546,570
Child care and development	446,805	446,805	323,234	123,571
EPSDT - Early Periodic Screening Diagnosis& Treatment	300,000	300,000	215,803	84,197
H&SS IFSI - Family Strengthening Project	189,735	189,735	187,956	1,779
Pre K academy	200,000	200,000	186,363	13,637
Systems change	293,000	293,000	153,104	139,896
Health access initiative	121,000	121,000	120,381	619
Community engagement	88,000	88,000	83,223	4,777
Pre-natal grants	35,000	35,000	34,889	111
Co-sponsorship of conferences	25,000	25,000	11,500	13,500
Collaboration	32,000	32,000	9,761	22,239
<b>Total grant expenditures</b>	<u>3,432,584</u>	<u>3,432,584</u>	<u>2,404,070</u>	<u>1,028,514</u>
<b>Total expenditures</b>	<u>5,764,631</u>	<u>6,105,135</u>	<u>3,620,277</u>	<u>2,484,858</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,654,887)</b>	<b>(1,995,391)</b>	<b>278,839</b>	<b>2,274,230</b>
<b>Fund balance - beginning</b>	<b>8,107,069</b>	<b>8,107,069</b>	<b>8,107,069</b>	<b>-</b>
<b>Fund balance - ending</b>	<u><b>\$ 6,452,182</b></u>	<u><b>\$ 6,111,678</b></u>	<u><b>\$ 8,385,908</b></u>	<u><b>\$ 2,274,230</b></u>

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

**First 5 Solano Children & Families Commission**  
**Notes to Required Supplementary Information**  
**For the fiscal year ended June 30, 2017**

***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 for the special revenue funds.





Board of Commissioners  
First 5 Solano  
Children and Families Commission  
Fairfield, CA 94533

**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***

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of First 5 Solano Children and Families Commission (Commission), as of and for the fiscal year ended June 30, 2017, 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 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Solano County Board of Supervisors, the First 5 Solano Commission, the First 5 California Commission, and the State Controller's Office, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Simona Padilla-Scholtens, CPA  
Auditor-Controller  
By:



Phyllis Taynton, CPA  
Assistant-Auditor-Controller

Fairfield, California

September 25, 2017

SIMONA PADILLA-SCHOLTENS, CPA  
Auditor-Controller

PHYLLIS TAYNTON, CPA  
Assistant Auditor-Controller



SOLANO  
COUNTY

675 Texas Street, Suite 2800  
Fairfield, CA 94533-6338  
(707) 784-6280  
Fax (707) 784-3553

[www.solanocounty.com](http://www.solanocounty.com)

Board of Commissioners  
First 5 Solano  
Children and Families Commission  
Fairfield, CA 94533

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

**Compliance**

We have audited the First 5 Solano Children and Families Commission’s (Commission) 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 fiscal year ended June 30, 2017.

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

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

### **Opinion**

In our opinion, the First 5 Solano California Children and Families 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 fiscal year ended June 30, 2017.

This report is intended solely for the information and use of the Solano County Board of Supervisors, the First 5 Solano Commission, the First 5 California Commission, and the State Controller's Office, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Simona Padilla-Scholtens, CPA  
Auditor-Controller  
By:

  
Phyllis Taynton, CPA  
Assistant-Auditor-Controller

Fairfield, California

September 25, 2017