

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, 2016

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

**First 5 Solano
Children & Families Commission
For the fiscal year ended June 30, 2016**

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**First 5 Solano Children & Families Commission
Board of Commissioners
(as of September 23, 2016)**

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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, 2016, 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, 2016, 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 13 and page 31, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the First 5 Solano Children and Families Commission's basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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 23, 2016 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, 2016, 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 23, 2016



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, 2016. 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 \$6,946,764 at June 30, 2016. The entire \$6,946,764 is restricted for the purposes outlined under the California Children and Families Act of 1998 (Proposition 10).
- The Commission's total net position decreased by (\$657,889) as a result of the following factors:
 - 1) The current fiscal year's operations decreased net position as expenses outpaced First 5 Solano funding from the Proposition 10 tax on tobacco products, a prospective declining funding source.
 - 2) The funding decrease was partially offset by general revenues which consisted primarily of interest income earned from the Commission's cash maintained in the County Treasury.
- At June 30, 2016, the Commission's governmental funds reported an ending fund balance of \$8,107,069, a decrease of \$705,567 from June 30, 2015. The entire amount of \$8,107,069 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 14-15 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 16-19 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 20-29 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 31-32 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 \$6,946,764 at June 30, 2016.

As previously stated, the Commission’s total restricted net position as of June 30, 2016 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, 2016 & 2015**

	6/30/2016	6/30/2015
Assets:		
Current and other assets	\$ 9,169,639	\$ 10,113,534
Total assets	9,169,639	10,113,534
Deferred Outflows of Resources:		
Deferred outflows related to pensions	268,681	104,947
Total deferred outflows of resources	268,681	104,947
Liabilities:		
Current liabilities	1,062,570	1,300,898
Non-current liabilities	1,167,495	1,403,522
Total liabilities	2,230,065	2,704,420
Deferred Inflows of Resources:		
Deferred inflows related to pensions	261,491	-
Total deferred inflows of resources	261,491	-
Net Position:		
Restricted	6,946,764	7,514,061
Total net position	\$ 6,946,764	\$ 7,514,061

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 \$943,895 from June 30, 2015. The primary reason is a reduction in the Commission’s cash in the County Treasury resulting from the continued funding of various multi-year grantee agreements which continue to outpace the major revenue stream of Proposition 10 tobacco tax funding from First 5 California.

Deferred outflows of resources: Deferred outflows of resources increased by \$163,734 from June 30, 2015. 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 \$238,328 from June 30, 2015. The decrease is due to a reduction in amounts owed to the Department of Health and Social Services for administration of the Baby First Pre-Natal Program and to vendors for goods and services received prior to fiscal year-end.

Non-current liabilities: Non-current liabilities decreased by \$236,027 from June 30, 2015. The decrease 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 increased by \$261,491. The increase is attributable to current year changes in the net pension liability and related amortization.

Governmental activities decreased the Commission's net position by \$657,889 during fiscal year 2015/16, which represents a decrease of approximately 9% from total net position at June 30, 2015.

**First 5 Solano Children & Families Commission's
Change in Net Position
For the fiscal years ended June 30, 2016 & 2015**

	<u>2016</u>	<u>2015</u>
Program expenses:		
General:		
Employee services	\$ 890,006	\$ 1,018,410
Program evaluation costs	209,000	168,996
Interfund services	199,771	125,673
Professional & specialized services	134,005	139,250
Special departmental expense	9,763	5,366
Rents & leases	7,364	7,277
Insurance	6,837	5,788
Communication	5,798	5,215
Memberships	5,419	5,314
Meals/Refreshments	2,197	3,150
Utilities	5,100	5,000
Transportation & travel	4,697	11,287
Non-capitalized equipment	1,924	6,063
Supplies	1,811	3,555
Maintenance	184	9,558
Miscellaneous	205	-
Total general expenses	<u>1,484,081</u>	<u>1,519,902</u>
Grant:		
Early mental health	792,882	936,225
SR family support	642,275	660,530
Pre-natal	470,090	990,667
EPSDT- Early Periodic Screening Diagnosis & T	264,842	291,124
Health access initiative	241,433	248,981
Child care-CARES	240,217	233,352
Pre K academy	230,649	203,113
Child care and development	213,562	324,000
H&SS IFSI - Family Strengthening Project	185,272	187,956
Parent education	115,017	191,146
Collaboration	102,027	143,219
Community engagement	67,049	58,485
Pre-natal grants	33,839	33,642
First 5 futures	27,397	72,123
Co-sponsorship of conferences	7,744	15,394
Total grant expenses	<u>3,634,295</u>	<u>4,589,957</u>
Total program expenses	<u>5,118,376</u>	<u>6,109,859</u>
Program revenues:		
Operating grants and contributions	3,786,163	3,709,788
Charges for services	615,344	653,240
Total program revenues	<u>4,401,507</u>	<u>4,363,028</u>
Net program (expenses)	<u>(716,869)</u>	<u>(1,746,831)</u>
General revenues and extraordinary item:		
Revenues from the use of money and property	55,056	50,755
Miscellaneous	3,924	8,379
Total general revenues	<u>58,980</u>	<u>59,134</u>
Change in net position	(657,889)	(1,687,697)
Net position:		
Beginning of the fiscal year	7,514,061	10,397,379
Prior period adjustment	90,592	(1,195,621)
Beginning, as restated	<u>7,604,653</u>	<u>9,201,758</u>
End of the fiscal year	<u>\$ 6,946,764</u>	<u>\$ 7,514,061</u>

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

Program expenses-grants:

Grant expenses decreased overall from prior year by (\$955,662). The most significant decrease totaling (\$520,577) occurred with the BabyFirst Pre-Natal Program administered by Health and Social Services (H&SS). The 53% reduction was the result of the Commission reassessing the current funding structure amid the continuing decline in available resources. H&SS was able to secure support from other sources (State funding) prior to the reduction of First 5 funding to the program.

In addition, grant expenses for the following funded services decreased overall from prior year due to a combination of grantees spending a smaller amount of grant awards in comparison to the prior year as well as redirected resources based on the Commission's reassessment of previously allocated funding.

- Early Mental Health-(\$143,343)
- Child Care and Development- (\$110,438)
- Parent Education- (\$76,129)
- First 5 Futures- (\$44,726)
- Collaboration- (\$41,192)
- EPSDT-(\$26,282)

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, 2016, the Commission's governmental fund reported an ending fund balance of \$8,107,069. This was the result of a decrease to fund balance of \$705,567 for the fiscal year ended June 30, 2016. The entire \$8,107,069 is restricted for the purposes outlined under the California Children and Families Act of 1998 (Proposition 10).

Governmental revenues totaled \$4,460,488 in fiscal year 2015/16. This represents an insignificant (1%) increase from fiscal year 2014/15.

Governmental expenditures totaled \$5,166,055 in fiscal year 2015/16. This represents a net decrease of 14% from fiscal year 2014/15 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 31 in the Required Supplementary Information (RSI) section of this report.

There were no changes between the adopted budget and the final budget of the General Program Special Revenue Fund in fiscal year 2015/16. Revenues recognized exceeded budget by \$182,275 as a result of the Commission receiving more Proposition 10 funds from First 5 California than anticipated as well as interest earned on the Commission's cash residing in the County Treasury. Expenditures incurred were less than budget by \$1,871,125 due to the overall reduction in grant disbursement expenditures resulting from various grantee organizations under-spending their annual allocation or receiving a mid-year reduction to their original contract amount. In addition, no expenditures were incurred for the contingencies budget line item.

Debt Administration

Long-term debt. At June 30, 2016 the Commission had \$1,167,495 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 24 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 significantly decreased the expenditure plan for FY2016/17 and FY2017/18 in an attempt to bring expenditure in line with ongoing revenue. However, the Commission will need to continue to draw upon its fund balance to support its program investments at this level which is not sustainable. Over the next two years, the Commission is looking to its funded partners to contribute to solutions that effectively seek to resolve this fiscal imbalance.

The following services will to be funded during fiscal year 2016/17:

- 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. The total fund balance, which is currently in excess of \$8 million, is dedicated to future years' spending as defined in the First 5 Solano Long-Term Financial Plan.

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, 2016

ASSETS

Current assets

Cash & equivalents	\$ 8,342,921
Due from other County funds	18,568
Due from State Commission	808,150
Total current assets	9,169,639
Total assets	9,169,639

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	268,681
Total deferred outflows of resources	268,681

LIABILITIES

Current liabilities

Outstanding warrants	162,526
Accounts payable	426,369
Due to other County funds	371,553
Due to other agencies	102,122
Total current liabilities	1,062,570

Noncurrent liabilities

Compensated absences	37,760
Net pension liability	1,129,735
Total noncurrent liabilities	1,167,495
Total liabilities	2,230,065

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	261,491
Total deferred inflows of resources	261,491

NET POSITION

Restricted	6,946,764
Total net position	\$ 6,946,764

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, 2016

Program expenses:

General

Employee services	\$ 890,006
Program evaluation costs	209,000
Interfund services	199,771
Professional & specialized services	134,005
Special departmental expense	9,763
Rents & leases	7,364
Insurance	6,837
Communication	5,798
Memberships	5,419
Utilities	5,100
Transportation & travel	4,697
Meals/Refreshments	2,197
Non capitalized equipment	1,924
Supplies	1,811
Maintenance	184
Miscellaneous	205
Total general expenses	<u>1,484,081</u>

Grants

Early mental health	792,882
SR family support	642,275
Pre-natal	470,090
EPSDT - Early Periodic Screening Diagnosis & Treatment	264,842
Health access initiative	241,433
Child care- CARES	240,217
Pre K academy	230,649
Child care and development	213,562
H&SS IFSI - Family Strengthening Project	185,272
Parent education	115,017
Collaboration	102,027
Community engagement	67,049
Pre-natal grants	33,839
First 5 futures	27,397
Co-sponsorship of conferences	7,744
Total grant expenses	<u>3,634,295</u>
Total program expenses	<u>5,118,376</u>

Program revenues:

Operating grants and contributions	3,786,163
Charges for services	615,344
Total program revenues	<u>4,401,507</u>

Net program (expenses)

(716,869)

General revenues:

Revenues from the use of money and property	55,056
Miscellaneous	3,924
Total general revenues	<u>58,980</u>

Change in net position

(657,889)

Net position- beginning of the fiscal year	7,514,061
Prior period adjustment	90,592
Beginning, as restated	7,604,653
Net position- end of the fiscal year	<u>\$ 6,946,764</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, 2016

Assets	
Cash & equivalents	\$ 8,342,921
Due from other County funds	18,568
Due from State Commission	808,150
Total assets	<u>\$ 9,169,639</u>
 Liabilities	
Outstanding warrants	\$ 162,526
Accounts payable	426,369
Due to other County funds	371,553
Due to other agencies	102,122
Total liabilities	<u>1,062,570</u>
 Fund Balance	
Restricted	<u>\$ 8,107,069</u>
Total fund balance	<u>8,107,069</u>
Total liabilities and fund balance	<u>\$ 9,169,639</u>

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, 2016**

Governmental fund balance	\$ 8,107,069
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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	268,681
Deferred inflow-pension	(261,491)

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

Compensated absences	(37,760)
Other long-term obligations-pension liability	<u>(1,129,735)</u>

Net position of governmental activities	<u>\$ 6,946,764</u>
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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, 2016

Revenues:	
Intergovernmental revenues	\$ 3,774,564
Charges for services	615,344
Revenues from the use of money and property	55,056
Pre K Academy donations	11,600
Miscellaneous	3,924
Total revenues	<u>4,460,488</u>
Expenditures:	
General	
Employee services	937,685
Program evaluation costs	209,000
Interfund services	199,771
Professional & specialized services	134,005
Special departmental expense	9,763
Rents & leases	7,364
Insurance	6,837
Communication	5,798
Memberships	5,419
Utilities	5,100
Transportation & travel	4,697
Meals/Refreshments	2,197
Non capitalized equipment	1,924
Supplies	1,811
Maintenance	184
Miscellaneous	205
Total general expenditures	<u>1,531,760</u>
Grants	
Early mental health	792,882
SR family support	642,275
Pre-natal-BabyFirst	470,090
EPSDT - Early Periodic Screening Diagnosis& Treatment	264,842
Health access initiative	241,433
Child care - CARES	240,217
Pre K academy	230,649
Child care and development	213,562
H&SS IFSI - Family Strengthening Project	185,272
Parent education	115,017
Collaboration	102,027
Community engagement	67,049
Pre-natal grants	33,839
First 5 futures	27,397
Co-sponsorship of conferences	7,744
Total grant expenditures	<u>3,634,295</u>
Total expenditures	<u>5,166,055</u>
Deficiency of revenues under expenditures	(705,567)
Fund balance - beginning	<u>8,812,636</u>
Fund balance - ending	<u><u>\$ 8,107,069</u></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, 2016**

Changes in fund balance - governmental funds \$ (705,567)

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	52,734
Change in compensated absences	<u>(5,056)</u>

Change in net position of governmental activities \$ (657,889)

First 5 Solano Children & Families Commission
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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 the management of several county general fund contracts.

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, 2016 for amounts approved but not received.

4. Deferred Outflows 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, 2016, the Commission has three 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 five items reportable on the Statement of Net Position related to pensions resulting from current year changes in the net pension liability and related amortization.

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.

9. *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.

10. *Prior Period Adjustment*

The prior period adjustment in the amount of \$90,592 represent adjustments to the Commission's net pension liability as of June 30, 2015.

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, 2016, 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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	\$ 1,370,818	\$ 214,258	\$ 455,341	\$ 1,129,735	\$ -
Compensated absences	32,704	5,056	-	37,760	-
Total long-term liabilities	<u>\$ 1,403,522</u>	<u>\$ 219,314</u>	<u>\$ 455,341</u>	<u>\$ 1,167,495</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 information and referral, case management, basic needs, and home-visiting for high-risk families. FSP offers neighborhood based services, including multi-disciplinary team case conferencing (including a Child Welfare Services Social Worker and Public Health Nurse), information-sharing via a comprehensive case management and tracking system, parent education, and provider capacity-building and support.

4. Parent Education

Parent Education classes and workshops focus on high-risk families and families of children with special needs to increase parenting competency and reduce likelihood of abuse and neglect.

5. Quality Child Care

a. Comprehensive Approaches to Raising Educational Standards (CARES Plus)

CARES Plus is a jointly-funded (First 5 Solano and First 5 California) program to provide resources to address the retention of qualified child care employees and increase the education and skills of the child care workforce for children aged birth-to-five.

b. Head Start Wrap-Around Care

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

c. 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.

6. *BabyFirst Solano – Prenatal Services*

BabyFirst Solano is a prenatal and early childhood home visiting program which provides a system of care in Solano that supports and educates pregnant and parenting women and families. The goal of the BabyFirst Solano program is that all babies will be born healthy, full term with a healthy birthweight, and live in a nurturing environment where they will thrive. BabyFirst Solano utilizes the evidence based Healthy Families America home visiting model.

7. *Children’s Health Access*

Solano Kids Insurance Program (SKIP) increases the number of pregnant mothers and 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.

8. *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.

9. *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.

10. *First 5 Futures*

First 5 Futures was adopted by the Commission in 2011 to help ensure the sustainability of the Solano early childhood system by securing critical resources and policy improvements for children ages 0-5 in Solano County. The plan has three main goals: secure large foundation and government grants and contracts; obtain corporate grants and

strengthen corporate and business partnerships; and pursue legislative and policy changes to increase support for the mission of First 5 Solano. During FY2015/16, the Commission adopted a new Strategic Plan and revised this Priority Area to a broader focus of Systems Change, which incorporates the successful components of First 5 Futures with systems integration and capacity building.

11. 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 \$209,000 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 County of Solano Miscellaneous Plan, an Agent Multiple-Employer 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.

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 \$122 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 \$122 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.

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Adopted</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental revenues	\$ 3,552,486	\$ 3,552,486	\$ 3,774,564	\$ 222,078
Charges for services	673,667	673,667	615,344	(58,323)
Revenues from the use of money & property	32,060	32,060	55,056	22,996
Pre K Academy pledges	-	-	11,600	11,600
Miscellaneous	20,000	20,000	3,924	(16,076)
Total revenues	<u>4,278,213</u>	<u>4,278,213</u>	<u>4,460,488</u>	<u>182,275</u>
Expenditures:				
General				
Employee services	1,024,467	1,024,467	937,685	86,782
Program evaluation costs	170,000	170,000	209,000	(39,000)
Interfund services	198,905	198,905	199,771	(866)
Professional & specialized services	148,674	148,674	134,005	14,669
Special departmental expense	5,725	5,725	9,763	(4,038)
Rents & leases	9,000	9,000	7,364	1,636
Insurance	6,837	6,837	6,837	-
Communication	6,202	6,202	5,798	404
Memberships	5,400	5,400	5,419	(19)
Utilities	-	-	5,100	(5,100)
Transportation & travel	10,400	10,400	4,697	5,703
Meals/Refreshments	750	750	2,197	(1,447)
Non capitalized equipment	5,500	5,500	1,924	3,576
Supplies	5,800	5,800	1,811	3,989
Maintenance	2,442	2,442	184	2,258
Contingencies	175,013	175,013	-	175,013
Miscellaneous	3,250	3,250	205	3,045
Total general expenditures	<u>1,778,365</u>	<u>1,778,365</u>	<u>1,531,760</u>	<u>246,605</u>
Grants				
Early mental health	1,060,000	1,060,000	792,882	267,118
SR family support	688,079	688,079	642,275	45,804
Pre-natal-BabyFirst	1,026,186	1,026,186	470,090	556,096
EPSDT - Early Periodic Screening Diagnosis& Treatment	299,870	299,870	264,842	35,028
Health access initiative	250,000	250,000	241,433	8,567
Child care - CARES	273,116	273,116	240,217	32,899
Pre K academy	190,000	190,000	230,649	(40,649)
Child care and development	243,364	243,364	213,562	29,802
H&SS IFSI - Family Strengthening Project	187,956	187,956	185,272	2,684
Parent education	204,173	204,173	115,017	89,156
Collaboration	177,500	177,500	102,027	75,473
Community engagement	88,000	88,000	67,049	20,951
Pre-natal grants	35,000	35,000	33,839	1,161
First 5 futures	179,724	179,724	27,397	152,327
Co-sponsorship of conferences	50,000	50,000	7,744	42,256
Service grants	305,847	305,847	-	305,847
Total grant expenditures	<u>5,258,815</u>	<u>5,258,815</u>	<u>3,634,295</u>	<u>1,624,520</u>
Total expenditures	<u>7,037,180</u>	<u>7,037,180</u>	<u>5,166,055</u>	<u>1,871,125</u>
Deficiency of revenues under expenditures	(2,758,967)	(2,758,967)	(705,567)	2,053,400
Fund balance - beginning	8,812,636	8,812,636	8,812,636	-
Fund balance - ending	<u>\$ 6,053,669</u>	<u>\$ 6,053,669</u>	<u>\$ 8,107,069</u>	<u>\$ 2,053,400</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, 2016

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, 2016, 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 23, 2016.

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 23, 2016

SIMONA PADILLA-SCHOLTENS, CPA
Auditor-Controller

PHYLLIS TAYNTON, CPA
Assistant Auditor-Controller



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COUNTY

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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, 2016.

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, 2016.

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 23, 2016