Financial Statements
June 30, 2022

First 5 Solano Children and Families Commission

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

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First 5 Solano Commission
Membership

(as of June 30, 2022)

Erin Hannigan, Chair
Solano County Board of Supervisors District 1

Tyffany Wanberg, Vice Chair
District 4 Representative

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

Gerald Huber
Director of Health & Social Services, Solano County

Neely McElroy
Deputy Director of Child Welfare Services, Solano County

Tiffanee Jones
District 1 Representative

Nimat Shakoor-Grantham
District 2 Representative

Jennifer Barton
District 3 Representative

Ami Fabi
District 5 Representative

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard/Emphasis of Matter

As discussed in Note 1 and Note 10 to the financial statements, the Commission has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net other post-employment benefit (OPEB) liability, and the schedule of OPEB contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of expenses by fund source and net position of the Solano County Children and Families Commission (SCCFC) funds for First 5 programs and activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses by fund source and net position of SCCFC funds for First 5 programs is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the First 5 Commission Membership but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
October 11, 2022

FIRST 5 SOLANO
CHILDREN AND FAMILIES COMMISSION
IT'S ALL ABOUT THE KIDS

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, 2022. 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 $13,045,748 at June 30, 2022. $1,022,028 is reported as net investment in capital assets, 2,254,506 is restricted and $9,769,214 is unrestricted.
- The Commission's total net position increased by $2,516,650 primarily due to a $2,000,000 allocation for the implementation of the Fairfield First 5 Center .
- The Commission's governmental funds reported an ending fund balance of $13,411,343, an increase of $2,616,299 from June 30, 2021. Of the ending fund balance at June 30, 2022, $2,184,542 is categorized as committed for contractual obligations for First 5 program expenditures, $1,098,336 categorized as assigned for contractual obligations for lease expenditures, $2,254,506 restricted for unspent grant funds, and $10,610 is nonspendable for prepaid items. The remaining fund balance of $7,863,349 is categorized as unassigned.

Overview of the Financial Statements

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

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

The statement of net position presents information on the Commission's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The Commission has a Long-Term Financial Plan (LTFP) which projects the Commission's assets over a ten-year period of time (FY2016/17-FY2025/26) and is currently in the process of updating this plan.

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 12-14 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 15-19 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 20-37 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary comparison schedule for the Commission's general fund, pension schedules and OPEB schedules. Required supplementary information can be found on pages 38-43 of this report.

Government-wide Financial Analysis

As noted previously, 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 $13,045,748 at June 30, 2022.

Condensed Statement of Net Position
June 30, 2022 and 2021

	2022	2021
Assets:		
Current assets	$ 13,933,598	$ 11,344,889
Non-current assets	1,865,546	1,172,398
Total assets	15,799,144	12,517,287
Deferred Outflows of Resources:		
Deferred outflows related to pensions and OPEB	244,527	261,963
Total deferred outflows of resources	244,527	261,963
Liabilities:		
Current liabilities	685,301	551,909
Non-current liabilities	1,801,236	1,682,847
Total liabilities	2,486,537	2,234,756
Deferred Inflows of Resources:		
Deferred inflows related to pensions and OPEB	511,386	15,396
Total deferred inflows of resources	511,386	15,396
Net Position:		
Net investment in capital assets	1,022,028	1,172,398
Restricted	2,254,506	175,939
Unrestricted	9,769,214	9,180,761
Total net position	$ 13,045,748	$ 10,529,098

The key elements in the significant changes in the Statement of Net Position are as follows:

Current assets: Current assets increased by $2,588,709 from June 30, 2021 primarily due to revenue coming in higher than expected along with underspending on grants.

Non-current assets: Non-current assets increased by $693,148 from June 30, 2021. This was due a reevaluation of the lease for the Vallejo First 5 Center due to GASB 87.

Non-current liabilities: Non-current liabilities increased by $118,389 from June 30, 2021. The increase was primarily due to the lease liability related to GASB 87, offset by a decrease in the Commission's share of the County's net pension liability.

Deferred inflows of resources: Deferred inflows of resources increased by $495,990. The increase is primarily attributable to current year changes the pension plan's differences between projected and actual earnings on plan investments.

Condensed Statement of Activities
For the fiscal years ended June 30, 2022 and 2021

	2022	2021
Program expenses:	$ 4,109,747	$ 4,682,176
Program revenues	6,738,114	5,179,124
Net program revenues	2,628,367	496,948
General Revenues	(111,717)	88,432
Change in net position	2,516,650	585,380
Net position:		
Beginning of the year	10,529,098	9,943,718
End of the year	$ 13,045,748	$ 10,529,098

The key elements for the significant changes in the Statement of Activities are as follows:

Program expenses:

Program expenses decreased overall from prior year by $572,429. The most significant decreases are noted as follows:

- Employee services decreased by $130,286 primarily due to a decrease in the Commission's share of the County's net pension liability.
- Rents & leases decreased by $124,587 due to reclassification of lease expenses to debt services as required by GASB 87.
- Depreciation/amortization decreased by $77,536 due to reevaluation of the term of depreciation for tenant improvements from 5 years to 10 years, offset by the initial year of recognition of amortization of the Commission's right-to-use assets.
- Early mental health spending decreased by $165,714 primarily due to multiple Positive Parenting Program (Triple P) Level 4 Triple P providers not being able to continue services.
- Pre-Kindergarten Academy expenditure decreased by $40,329 due to going back to an in-person model in fiscal year 2022 rather than providing at home learning support provided in fiscal year 2021.
- Emergency response spending decreased by $108,411 in due to the end of CARES Act funding to support early care and education providers.

Program revenue:

Program revenue increased from prior year by $1,358,841. This was primarily due to a $2 million allocation of funds from the state budget to implement a First 5 Center in Fairfield. This increase was offset by decreased revenue in other categories, such as emergency response funds, Mental Health Services Act funding, and interest.

Financial Analysis of the Commission's Governmental Funds

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

Governmental funds. The general fund is a governmental fund type that is used to account for general activities of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's net resources available for spending at the end of the fiscal year. At June 30, 2022, the Commission's general fund reported an ending fund balance of $13,411,343. This was the result of an increase to fund balance of $2,616,299 for the fiscal year ended June 30, 2022.

Governmental fund revenues totaled $6,659,397 in fiscal year 2021/22. This represents an increase of 26% from fiscal year 2020/21.

Governmental fund expenditures totaled $4,043,098 in fiscal year 2021/22. This represents a decrease of approximately 4% from fiscal year 2020/21.

Budgetary Highlights

The Commission's general fund budget (Adopted and Final versions) is reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, as presented on page 38 in the Required Supplementary Information (RSI) section of this report.

The final budgeted revenues increased from the original adopted budget by $466,348 primarily due to a grant from First 5 CA and a grant from Yocha Dehe Wintun Nation.

The final budgeted expenditures increased from the original adopted budget by $485,742 primarily due to the expenditures related to the above grants.

Revenues recognized were more than budget by $1,970,211 primarily due to $2 million in the state budget for the Fairfield First 5 Center.

Expenditures incurred were less than budget by $1,026,512. This was primarily due to underspending on grants.

Capital Assets

At June 30, 2022, the Commission has $1,865,546 of capital assets related to the lease and tenant improvements for the Vallejo First 5 Center.

Long-term Liabilities

At June 30, 2022, the Commission had $1,801,236 of long-term liabilities composed of the net pension liability, net OPEB liability, lease liability, and compensated absences. For more information, see Note 5, Note 6, Note 4, and Note 2, respectively, of this report.

Economic Factors and Next Year's Operating Activities

The Commission has approved a new Strategic Plan and is currently revising their Long Term Financial Plan and Program Investment Plan which will begin Fiscal Year 2022/23. In addition to beginning a new funding cycle in which the Commission will be revising their program expenditure activities, there will be one-time expenditure related to the implementation of the Fairfield First 5 Center.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest with the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Solano Children and Families Commission, 3375 Sonoma Blvd., Ste 30, Vallejo, California 94590.

	Governmental Activities
Assets	
Current Assets	
Cash and investments in County Treasury	$ 13,309,046
Accounts receivable	398
Due from County	293,998
Due from State Commission	319,546
Prepaid items	10,610
Total current assets	13,933,598
Noncurrent Assets	
Capital assets, being depreciated/amortized, net	1,865,546
Total noncurrent assets	1,865,546
Total assets	15,799,144
Deferred Outflows of Resources	
Deferred outflows related to pensions	220,140
Deferred outflows related to OPEB	24,387
Total deferred outflows of resources	244,527
Liabilities	
Current Liabilities	
Outstanding warrants	20,613
Accounts payable	385,864
Due to County	42,138
Due to other agencies	73,640
Compensated absences	60,751
Lease liabilities, current	102,295
Total current liabilities	685,301
Noncurrent Liabilities	
Compensated absences, net of current portion	55,500
Lease liabilities, net of current portion	741,223
Net pension liability	997,333
Net OPEB liability	7,180
Total noncurrent liabilities	1,801,236
Total liabilities	2,486,537

(continued)

	Governmental Activities (continued)
Deferred Inflows of Resources	
Deferred inflows related to pensions	$ 479,415
Deferred inflows related to OPEB	31,971
Total deferred inflows of resources	511,386
Net Position	
Net investment in capital assets	1,022,028
Restricted	2,254,506
Unrestricted	9,769,214
Total net position	$ 13,045,748

Governmental Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Early childhood	$ 4,109,747	$ 490,819	$ 6,247,295	$ 2,628,367
	General Revenues			
	Investment income			39,102
	Unrealized loss on investments			(150,819)
	Total General Revenues			(111,717)
	Change in Net Position			2,516,650
	Net Position - Beginning of Year, as restated			10,529,098
	Net Position - End of Year			$ 13,045,748

	General Fund
Assets	
Cash and investments in County Treasury	$ 13,309,046
Accounts receivable	398
Due from County	293,998
Due from State Commission	319,546
Prepaid items	10,610
Total assets	$ 13,933,598
Liabilities and Fund Balance	
Liabilities	
Outstanding warrants	$ 20,613
Accounts payable	385,864
Due to County	42,138
Due to other agencies	73,640
Total liabilities	522,255
Fund Balance	
Nonspendable	10,610
Restricted	2,254,506
Committed	2,184,542
Assigned	1,098,336
Unassigned	7,863,349
Total fund balance	13,411,343
Total liabilities and fund balance	$ 13,933,598

Governmental Fund Balance	$ 13,411,343
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,865,546
Deferred inflows and outflows of resources related to the net pension liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	220,140
Deferred inflows of resources related to pensions	(479,415)
Deferred inflows and outflows of resources related to the net OPEB liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	24,387
Deferred inflows of resources related to OPEB	(31,971)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(116,251)
Long-term obligations - net pension liability	(997,333)
Long-term obligations - net OPEB liability	(7,180)
Lease liability	(843,518)
Net position of governmental activities	$ 13,045,748

	General Fund
Revenues	
Intergovernmental revenues	$ 5,806,660
Charges for services	490,819
Investment income	39,102
Unrealized loss on investments	(150,819)
Donations/grants	473,635
Total revenues	6,659,397
Expenditures	
Current	
Strategic plan implementation	
Employee services	1,186,163
Program evaluation costs	151,450
Countywide admin overhead	69,863
Interfund services	25,992
Professional & specialized services	66,509
Rents & leases	7,123
Memberships	7,055
Transportation & travel	4,435
Communication	7,713
Insurance	15,360
Special departmental expense	1,215
Supplies	2,174
Meals/Refreshments	84
Non capitalized equipment	200
Miscellaneous	24,857
Total strategic plan implementation expenditures	1,570,193

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	General Fund
	(continued)
Grants	
Family support	$ 825,541
Early mental health	258,744
Child care and development	354,523
Annual grants	148,895
Pre K academy	169,983
Systems change	127,799
Community engagement	54,465
Community responsive minigrants	38,500
Help me grow solano	285,042
Home visiting coordination	83,209
Total grant expenditures	2,346,701
Debt service	
Principal	99,275
Interest	26,929
Total debt service expenditures	126,204
Total expenditures	4,043,098
Net Change in Fund Balance	2,616,299
Fund Balance - Beginning	10,795,044
Fund Balance - Ending	$ 13,411,343

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2022

Changes in fund balance - governmental funds	$ 2,616,299
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets or value of the right-to-use asset is allocated over their estimated useful lives and reported as depreciation or amortization expense.	
Depreciation/amortization expense	(249,645)
Repayment of lease liability principal is an expenditure in the governmental funds, but is a reduction to the lease liability on the Statement of Net Position.	
Lease principal repayment	99,275
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.	(31,052)
Governmental funds report OPEB plan contributions as expenditures. However, in the statement of activities, OPEB expense is measured as the change in net OPEB liability and the amortization of deferred outflows and inflows related to OPEB. The following amount reflect changes in the OPEB related balances.	11,882
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. The following amount reflect changes in the pension related balances.	102,891
In the Governmental Funds, some prior year receivables were recorded as unavailable revenue due to income not being available. In the Government-Wide Statements, these amounts were recognized as income on the full accrual basis of accounting in the prior year.	(33,000)
Change in net position of governmental activities	$ 2,516,650

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

First 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California Solano County or (County), 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 primarily funded by a surtax imposed statewide on the sale and distribution of cigarettes and other tobacco related products.

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

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

Basis of Accounting Measurement Focus

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents inflows (revenues) and outflows (expenditures) in net current assets. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 90 days after year-end. Revenues susceptible to accrual include tax revenues, grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences, which are recognized when due and payable at year-end.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources expense/expenditure until then. The Commission reports deferred outflows related to pensions and other post-employment benefits (OPEB). Refer to additional details in note 5 and note 6, respectively.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. In the fund financial statements, the Commission has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental fund reports unavailable revenues from intergovernmental revenues that have not be received within the period of availability. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Commission also reports deferred inflows related to pensions and OPEB. Refer to additional details in note 5 and note 6, respectively.

Compensated Absences

As of June 30, 2022, the Commission estimated its liability for vested compensated absences to be $116,251. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government wide financial statements and are included in liabilities. The compensated absences are liquidated by the general fund.

Net Position

Net position can be displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation. At June 30, 2022, $1,022,028 was classified as net investment in capital assets.
- Restricted net position – Consists of resources in the net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. At June 30, 2022, $2,254,506 was classified as restricted.
- Unrestricted net position – All other resources making up net position that do not meet the definition of "restricted" or "net investment in capital assets." At June 30, 2022, $9,769,214 was unrestricted.

The Commission applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Classification

Fund balance can be displayed under the following components:

- *Nonspendable Fund Balance* – includes elements of fund balance that cannot be spent because of their form, or because they must be (a) assets that will never convert to cash, such as prepaid items, or (b) resources that must be held intact pursuant to legal or contractual requirements.
- *Restricted Fund Balance* – includes resources that are subject to constraints that are externally enforceable legal restrictions.
- *Committed Fund Balance* – includes amounts that meet one of the following two criteria; (a) use of funds is constrained by limits imposed by formal action of the Commission and removal or (b) modification of use of funds can be accomplished only by the same formal action of the Commission. The Solano First 5 Commission is the government's highest level of decision–making authority; and the formal action required to be taken to establish, modify, or rescind a fund balance restriction is a majority vote by the Commission.
- *Assigned Fund Balance* – The assigned portion of the fund balance policy reflects a commission's intended use of resources, which is established either by the First 5 Solano Commission, a body created by the commission, such as the commission finance committee, or an official designated by the commission (e.g., an Executive Director).
- *Unassigned Fund Balance* – includes resources in fund balance that cannot be classified into any of the other categories.

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

- *Nonspendable* – At June 30, 2022, the Commission reported $10,610 as nonspendable for prepaid items.
- *Committed* – At June 30, 2022, the Commission reported $2,184,542 as committed for contractual obligations for First 5 program activities approved by the Board of Commissioners.
- *Assigned* – At June 30, 2022, the Commission reported $1,098,336 as assigned for contractual obligations for lease expenditures for the Commission's First 5 Vallejo office.
- *Restricted* – At June 30, 2022, the Commission reported $2,254,506 as restricted funds held that are restricted for specific purposes. $2,000,000 is reported as restricted related to funds received from the State of California, passed through the State First 5 Commission, to fund the establishment of a Fairfield First 5 Center. $254,506 is reported as restricted for grants from Yocha Dehe Wintun Nation for the First 5 Vallejo Center operations.
- *Unassigned* – At June 30, 2022, the Commission reported $7,863,349 as unassigned.

The Commission follows the County's Spending Priority Policy which states that when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is presumed that restricted funds are spent first; and when an expenditure is incurred for purposes for which amounts in any unrestricted fund balances could be used, it is presumed that the committed amounts are spent first, then the assigned amounts, then the unassigned amounts.

Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Commission participates in the County of Solano Pension Plan. In general, the Commission recognizes a net pension liability, which represents the Commission's proportionate share of the excess of the total pension liability over the fiduciary net position reflected in the actuarial report provided by the California Public Employee Retirement System (CalPERS). The net pension liability is measured as of CalPERS prior fiscal year end June 30, 2021. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between actuarial or expected experience) are amortized as pension expense beginning with the period in which they occurred.

Other Post-Employment Benefits (OPEB)

In government-wide financial statements, other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as OPEB expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Commission participates in the County of Solano Retiree Healthcare Plan. In general, the Commission recognizes a net OPEB liability, which represents the Commission's proportionate share of the excess of the total OPEB liability over the fiduciary net position reflected in the actuarial report provided by the County's actuary. The net OPEB liability is measured as of the year end June 30, 2021. Changes in the net OPEB liability are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between actuarial or expected experience) are amortized as OPEB expense beginning with the period in which they occurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Investments in County Treasury

The Commission's cash and investments is maintained in the County Treasury and is pooled with the County of Solano and various other depositors. The Commission's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. The Solano County Treasury Oversight Committee oversees the Treasurer's investments and policies. The balance of the Commission's investment in the Solano County Treasury pool at June 30, 2022 is $13,309,046. The County investment pool is not registered with the Securities and Exchange Commission as an investment company and is not rated.

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

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2022, the Commission held no individual investments. All funds are invested in the County Treasurer's Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals in the Pools are made on the basis of $1 and not fair value. Accordingly, the Commission's share of investments in the County Treasurer's Investment Pool at June 30, 2022 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Due from County

Due from county represents amounts due to the Commission for early childhood mental health services provided per terms of the County of Solano Memorandum of Understanding 2014-101.

Due from State Commission

Due from other agencies represents amounts due to the Commission from the State (First 5 California Children & Families Commission) as of June 30, 2022 for amounts allocated but not received.

Outstanding Warrants

Outstanding warrants represent the amount of warrants issued but not yet presented to the County for payment. When warrants are mailed, expenditures are recorded in the Commission's fund and an outstanding warrant liability is created, pending payment of the warrant.

Accounts Payable

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

Due to County

Due to County represents amounts owed to the County of Solano for grantee services provided by the Department of Health and Social Services.

Due to Other Agencies

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

Capital Assets

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

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

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021. The Commission implemented this statement effective July 1, 2021. See Note 10 for the result of the implementation effective July 1, 2021.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The Commission has determined that there was no material impact on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has determined that there was no material impact on the financial statements.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93*, Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has determined that there was no material impact on the financial statements.

Note 2 - Compensated Absences

Changes in compensated absences for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Amounts Due Within One Year
Compensated absences	$ 85,199	$ 91,803	$ 60,751	$ 116,251	$ 60,751
Total compensated absences	$ 85,199	$ 91,803	$ 60,751	$ 116,251	$ 60,751

Note 3 - Leases

Office Space
In March 2019, the Commission entered into a five-year lease for the rental of office space in Vallejo. The lease included one five-year option, extending the lease term to ten years. The lease commencement date was based on the later of July 1, 2019 or on the notice of occupancy, which occurred in February 2020. Under the terms of the lease, the Commission pays a base amount of $10,299 per month, plus an annual inflation adjustment. During the fiscal year, the Commission recognized $96,887 in amortization expense and $26,701 in interest expense for right to use the office space.

Equipment
In December 2019, the Commission entered into a five-year lease for the rental of copy machines. Under the terms of the lease, the Commission pays $218 per month. During the fiscal year, the Commission recognized $2,388 in amortization expense and $228 in interest expense for right to use the equipment.

The remaining obligations associated with these leases are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2023	$ 102,295	$ 23,910
2024	105,350	20,854
2025	107,294	17,602
2026	109,221	14,367
2027	112,543	11,045
2028 - 2030	306,815	12,454
	$ 843,518	$ 100,232

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated/amortized				
Tenant improvements	$ 1,620,918	$ -	$ -	$ 1,620,918
Equipment	14,986	-	-	14,986
Right-to-use assets - office space	934,112	-	-	934,112
Right-to-use assets - equipment	8,681	-	-	8,681
Total capital assets being depreciated	2,578,697	-	-	2,578,697
Less accumulated depreciation/amortization for				
Tenant improvements	(459,260)	(135,339)	-	(594,599)
Equipment	(4,246)	(2,997)	-	(7,243)
Right-to-use assets - office space	-	(108,829)	-	(108,829)
Right-to-use assets - equipment	-	(2,480)	-	(2,480)
Total accumulated depreciation/amortization	(463,506)	(249,645)	-	(713,151)
Total capital assets being depreciated/ amortized, net	2,115,191	(249,645)	-	1,865,546
Governmental activities capital assets, net	$ 2,115,191	$ (249,645)	$ -	$ 1,865,546

Depreciation and amortization expense of $249,645 was charged to the statement of activities in the child development function.

Note 5 - Defined Benefit Pension Plan

Plan Description - The Commission employees participate in the County of Solano’s Miscellaneous defined benefit pension plan administered by the State of California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions, which participate in this retirement plan. For financial reporting purposes, the Commission reports a proportionate share of the County’s collective net pension liability, pension expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Contributions - Rates for the County's contributions are set by CalPERS based upon annual experience of County members and on periodic actuarial valuations. The contribution rate for the Commission is established by the County. The Commission contributes the full amount of the employees' 7.35 percent share of contributions after five years of CalPERS qualifying experience. The employer contribution rate for the fiscal year ended June 30, 2022, is 10.58 percent. For the fiscal year ended June 30, 2022, the Commission was required to contribute $202,537 to the Plan.

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

At June 30, 2022, the Commission reported a liability of $997,333 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Commission's proportion of the County's net pension liability was based on the Commission's actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2021, the Commission's proportionate share was 0.3266 percent and at June 30, 2022 the Commission's proportionate share was 0.3380 percent, an increase of 0.0114 percent.

For the year ended June 30, 2022, the Commission recognized pension expense of $102,891. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 17,603	$ 2,460
Net difference between projected and actual earnings on pension plan investments	-	476,955
Employer contributions paid by the Commission subsequent to the measurement date	202,537	-
Total	$ 220,140	$ 479,415

$202,537 reported as deferred outflows of resources related to the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission's proportion of the County's pension plan will be recognized in pension expense as follows:

Year ended	
2023	$ (110,249)
2024	(106,942)
2025	(112,831)
2026	(131,790)
Total	$ (461,812)

Actuarial assumptions - The Commission's proportion of the County's total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary increases	Varies by Entry Age and Serivce
Cost of Living Adjustments	2.50%
Payroll Growth	2.75%

The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using 90% Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study report available on CalPERS website at www.calpers.ca.gov.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

Discount rate - The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Sensitivity of the Commission's proportionate share of the County's net pension liability to changes in the discount rate - The following table presents the Commission's proportionate share of the County's net pension liability calculated using the discount rate of 7.15 percent, as well as what the Commission's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
Commission's proportionate share of the County's net pension liability	$ 1,767,732	$ 997,333	$ 356,340

Pension plan fiduciary net position - Detailed information about the County's collective net pension liability is available in the County's separately issued Annual Comprehensive Financial Report (ACFR). The County's financial statements may be obtained by contacting the County of Solano, Auditor-Controller's Office at 675 Texas Street, Suite 2800, Fairfield, California 94533 or visiting the County's website at https://www.solanocounty.com/depts/auditor/finance_reports.asp.

Detailed information about the CalPERS fiduciary net position is available in a separately issued CalPERS financial report. Copies of the CalPERS annual report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811, or visiting www.calpers.ca.gov.

Note 6 - Other Post-Employment Benefits (OPEB)

Plan Description

The Commission participates in County of Solano Multi-Employer Defined Benefit Healthcare Plan administered by CalPERS. The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of $139 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 $139 per month per eligible retiree. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name.

In addition, the County established an irrevocable trust to pre-fund the other postemployment Annual Required Contribution benefits with the Public Agency Retirement Services (PARS). The PARS financial statements and additional reports can be obtained from the PARS website at http://www.PARS.org.

For financial reporting purposes, the Commission reports a proportionate share of the County's collective net OPEB liability, OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

Medical coverage is currently provided through CalPERS as permitted under the PEMHCA. This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if new to PERS after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Commission to be eligible to continue medical coverage through the Commission and be entitled to the benefits described below. In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution. One exception to this requirement applies only to employees covered by the PEMHCA Vesting resolution who work at least 20 years for the Commission.

Contributions

The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the County and the bargaining units. The annual contribution is based on the actuarially determined contribution. Currently, plan members are required to pay the balance of the premiums. The Commission contributed $15,559 for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the Commission reported a liability of $7,180 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's contributions to the OPEB plan relative to the projected contributions of all participating member agencies. At June 30, 2021, the Commission's proportionate share was 0.2406 percent and at June 30, 2022 the Commission's proportionate share was 0.2453 percent, an increase of 0.0047 percent.

For the year ended June 30, 2022, the Commission recognized OPEB expense of $11,882. At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
OPEB contributions subsequent to measurement date	$ 15,559	$ -
Changes in assumptions		1,111
Differences between actual and expected experience	8,828	13,439
Net difference between projected and actual earnings on plan investments	-	17,421
Total	$ 24,387	$ 31,971

$15,559 reported as deferred outflows of resources related to the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2023	$ (5,542)
2024	(5,427)
2025	(5,336)
2026	(5,830)
2027	(957)
Thereafter	(51)
Total	$ (23,143)

Actuarial Assumptions – The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Valuation Date	January 1, 2021
Discount Rate	5.50%
Inflation	2.50%
Investment Rate of Return	5.50%
Medical Trend	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality Improvement	Morality projected fully generational with Scale MP-2020
Salary Increase	2.75% Annually
Healthcare Participation	50%

Change in Assumptions – For the June 30, 2021 measurement date, the discount rate was changed from 6 percent to 5.5 percent.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.5 percent for the plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Commission's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	4.56%
Fixed Income	35%	0.78%
REITs	2%	4.06%
Cash	5%	-0.50%
Total	100%	

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net OPEB liability, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current discount rate:

	1% Decrease (4.5%)	Discount Rate (5.5%)	1% Increase (6.5%)
Net OPEB Liability/(Asset)	$ 30,458	$ 7,180	$ (11,999)

Sensitivity of the Commission's Proportionate Share of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates – The following presents the Commission's proportionate share of the net OPEB liability, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate*	1% Increase
Net OPEB Liability/(Asset)	$ (15,474)	$ 7,180	$ 35,421

* Non-Medicare trend rate of 7%, decreasing to an ultimate rate of 4.0% in 2076.
Medical trend rate of 6.1%, decreasing to an ultimate rate of 4.0% in 2076.

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

Note 7 - Program Evaluation

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties. For the year ended June 30, 2022, the Commission spent $151,450 on program evaluation.

Note 8 - Risk Management

The Commission through Solano County carries coverage administered through the Solano County Risk Management Division, for all risks under a multi-peril policy, including accident and property, workers' compensation, and general liability insurance programs.

Solano County also participates in the Public Risk Innovation, Solutions, and Management (PRISM), a joint powers authority created to provide self-insurance programs for California counties.

Note 9 - Related Party Transactions

The legally required composition of the Children and Families Commission includes a County Supervisor, two County Health & Social Services staff members and representatives of agencies and constituencies concerned with children. Some the programs funded by the Commission are operated by organizations represented by Commissioners. Commissioners abstain from voting on and participating in discussions directly related to their respective organizations. Below is a list of Commissioner/organization relations and agreements:

Related Party	Fiscal Year 2021/22 Expenditures
County of Solano	$ 265,345
Solano County Office of Education	357,556
Parents By Choice	200,030

The Commission incurred expenditures of $57,000 for Early Periodic Screening Diagnosis and Treatment, $9,310 for Car Sear Connection services, $83,209 for Home Visitation Coordination provided by the County of Solano Department of Health and Social Services (H&SS), $19,971 for Annual Grants, and $95,855 for accounting and overhead services in fiscal year 2021/22. At June 30, 2022, $42,138 is included in Due to County related to these related party transactions.

The Commission incurred expenditures of $226,403 for services provided related to the Improve and Maximize Programs so All Children Thrive (IMPACT) program, $32,618 for the Solano Kids Thrive Collective Impact program, $20,300 for the Pre-K Academies program, $14,298 for Share Services Alliance Network services, and $63,937 for the Raising a Reader program provided by the Solano County Office of Education in fiscal year 2021/22. At June 30, 2022, $2,708 is included in accounts payable related to these related party transactions.

The Commission incurred expenditures of $200,030 for services provided related to the Triple P program provided by Parents by Choice in fiscal year 2021/22. At June 30, 2022, $38,580 is included in accounts payable related to these related party transactions.

Related Party	Fiscal Year 2021/22 Revenues
County of Solano	$ 490,819

The Commission earned revenues in the amounts of $422,868 for Mental Health Services (MHS) provided to the County of Solano Department of Health and Social Services (H&SS), $8,342 for the administration of the Office of Violence Prevention (OFVP) provided to the County of Solano County Administrator's Office (CAO), and $59,609 for Community Investment Fund (CIF) contract management services provided to the County First 5 Future Initiative in fiscal year 2021/22. At June 30, 2022, $293,998 is included in Due from other County Funds related to these related party transactions.

Note 10 - Restatement

As of July 1, 2021, the Commission adopted GASB Statement No. 87, *Leases*. As a result, the Commission the restated the Statement of Net Position as of July 1, 2021 to reflect certain lease assets and liabilities that were previously classified as operating leases. The restatement is summarized as follows:

	Governmental Activities
Net Position, July 1, 2021	$ 10,529,098
Restatement:	
Right-to-use assets	942,793
Lease liability	(942,793)
Net Position, July 1, 2021, as restated	$ 10,529,098

Required Supplementary Information
June 30, 2022

First 5 Solano Children and Families Commission

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenues	$ 3,588,299	$ 3,654,647	$ 5,806,660	$ 2,152,013
Charges for services	596,539	596,539	490,819	(105,720)
Investment income	-	-	39,102	39,102
Unrealized loss on investments	-	-	(150,819)	(150,819)
Donations/grants	38,000	438,000	473,635	35,635
Total revenues	4,222,838	4,689,186	6,659,397	1,970,211
Expenditures				
Current				
Strategic plan implementation				
Employee services	1,166,809	1,186,203	1,186,163	40
Program evaluation costs	146,300	146,300	151,450	(5,150)
Countywide admin overhead	69,863	69,863	69,863	-
Interfund services	19,966	19,966	25,992	(6,026)
Professional & specialized services	74,105	74,105	66,509	7,596
Rents & leases	10,781	10,781	7,123	3,658
Memberships	7,500	7,500	7,055	445
Transportation & travel	10,400	10,400	4,435	5,965
Communication	8,640	8,640	7,713	927
Insurance	15,360	15,360	15,360	-
Special departmental expense	4,725	4,725	1,215	3,510
Supplies	3,000	3,000	2,174	826
Meals/Refreshments	2,000	2,000	84	1,916
Non capitalized equipment	1,500	1,500	200	1,300
Miscellaneous	32,650	32,650	24,857	7,793
Total strategic plan implementation expenditures	1,573,599	1,592,993	1,570,193	22,800
Grants				
Family support	945,000	1,345,000	825,541	519,459
Early mental health	465,000	465,000	258,744	206,256
Child care and development	367,172	433,520	354,523	78,997
Annual grants	200,000	200,000	148,895	51,105
Pre K academy	242,000	242,000	169,983	72,017
Systems change	157,000	157,000	127,799	29,201
Community engagement	92,000	92,000	54,465	37,535
Community responsive minigrants	45,000	45,000	38,500	6,500
Help me grow solano	300,000	300,000	285,042	14,958
Home visiting coordination	93,693	93,693	83,209	10,484
Total grant expenditures	2,906,865	3,373,213	2,346,701	1,026,512
Debt service				
Principal	99,275	99,275	99,275	-
Interest	26,929	26,929	26,929	-
Total debt service	126,204	126,204	126,204	-
Total expenditures	4,606,668	5,092,410	4,043,098	1,049,312
Net Change In Fund Balance	$ (383,830)	$ (403,224)	2,616,299	$ 3,019,523
Fund Balance - Beginning			10,795,044	
Fund Balance - Ending			$ 13,411,343	

See Note to the Required Supplementary Information

Schedule of the Commission’s Proportionate Share of the Net Pension Liability - Last Ten Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	$ 997,333	$ 1,596,837	$ 1,440,709	$ 1,327,469	$ 1,139,189	$ 1,347,787	$ 1,129,735	$ 1,370,818
Commission's proportionate share of the County's net pension liability	0.3380%	0.3266%	0.3369%	0.3376%	0.3225%	0.3307%	0.4065%	0.4228%
Commission's covered payroll	$ 599,237	$ 583,314	$ 549,380	$ 570,009	$ 517,198	$ 586,638	$ 568,283	$ 560,411
Commission's proportionate share of the County's net pension liability as a percentage of covered payroll	166.43%	273.75%	262.24%	232.89%	220.26%	229.75%	198.80%	244.61%
Plan fiduciary net position as a percentage of the total pension liability	83.77%	72.04%	72.61%	73.40%	72.12%	72.73%	77.48%	79.35%
Measurement date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

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

Changes of Assumptions: The discount rate was changed from 7.65% (June 30, 2016 measurement date) to 7.15% (June 30, 2017 measurement date). In 2016, there were no changes. In 2015, amounts reflected an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 202,537	$ 183,632	$ 160,421	$ 132,060	$ 172,253	$ 392,311	$ 268,681	$ 104,947
Contributions in relation to the actuarially determined contribution	202,537	183,632	160,421	132,060	172,253	392,311	268,681	104,947
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll	$ 638,290	$ 599,237	$ 583,314	$ 549,380	$ 570,009	$ 517,198	$ 586,638	$ 568,283
Contributions as a percentage of covered payroll	31.73%	30.64%	27.50%	24.04%	30.22%	75.85%	45.80%	18.47%

Notes to Schedule:

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

	2022	2021	2020	2019	2018
Commission's proportion of the net OPEB liability	$ 7,180	$ 35,875	$ 40,039	$ 46,029	$ 56,023
Commission's proportionate share of the net OPEB liability	0.2453%	0.2406%	0.2497%	0.2154%	0.2434%
Commission's covered payroll	$ 599,237	$ 583,314	$ 549,380	$ 570,009	$ 517,198
Commission's proportionate share of the net OPEB liability as a percentage of its covered payroll	1.20%	6.15%	7.29%	8.08%	10.83%
Plan fiduciary net position as a percentage of the total OPEB liability	95.82%	77.46%	74.25%	65.40%	60.10%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Change in assumptions: The discount rate was changed from 6% (June 30, 2020 measurement date) to 5.5% (June 30, 2021 measurement date).

	2022	2021	2020	2019	2018
Contractually determined contributions	$ 15,559	$ 15,008	$ 14,817	$ 12,302	$ 13,638
Contributions in relation to the contractually determined contributions	15,559	15,008	14,817	12,302	13,638
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 638,290	$ 599,237	$ 583,314	$ 549,380	$ 570,009
Contributions as a percentage of covered payroll	2.44%	2.50%	2.54%	2.24%	2.39%

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

Budgetary Information

The Commission shall conform to Solano County Code § 7.3 for the First 5 Solano Children and Families Commission by approving a budget for the fiscal year in accordance with the Solano County annual budget calendar. The budget shall include anticipated revenues to the First 5 Solano Children & Families Trust Fund and shall provide for carrying out the adopted strategic plan. The budget shall be transmitted to the County Administrator for inclusion in the Final Budget of Solano County.

In accordance with provisions of Sections 29000-29144 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget each fiscal year.

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

Expenditures are controlled at the object level for all departments within the County except for capital outlay expenditures, which are controlled at the sub object level. The legal level of budgetary control is at the department level, which is comprised of the Commission's general fund. This is the level at which expenditures may not legally exceed appropriations.

Supplementary Information
June 30, 2022

First 5 Solano Children and Families Commission

Program	Source	Revenue SCCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position
IMPACT	Solano County Children and Families Commission (SCCFC) Program Funds	$ 220,934	$ 220,934	$ -	$ -	$ -

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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 and general fund of the Frist 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 11, 2022. Our report included an emphasis of matter paragraph regarding the Commission's adoption of Governmental Accounting Standards Board Statement No. 87, *Leases*, effective July 1, 2021.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Eide Bailly LLP

Sacramento, California
October 11, 2022

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

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

Report on Compliance Opinion

We have audited the First 5 Solano Children and Families Commission's (Commission), a component unit of the County of Solano, California, compliance with the requirements specified in *the* State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Sacramento, California
October 11, 2022