FIRST 5 SAN MATEO COUNTY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF SAN MATEO)

SAN MATEO, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
First 5 San Mateo County
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of First 5 San Mateo County, a discretely presented component unit of the County of San Mateo, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise First 5 San Mateo County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of First 5 San Mateo County as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparisons included as part of the basic financial statements, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the schedule of proportionate share of the net pension liability, the schedule of First 5's contributions - pension plan, the schedule of proportionate share of the net OPEB liability, the schedule of First 5's contributions - OPEB, and the schedule of changes in the net OPEB liability and related ratios on pages 35 through 39, listed as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of First 5 San Mateo County'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 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 First 5 San Mateo County'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 First 5 San Mateo County's internal control over financial reporting and compliance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
September 25, 2019

In November 1998, voters passed a statewide ballot initiative, Proposition 10, to fund programs that promote the physical, cognitive and emotional development of children ages 0-5. Proposition 10 funds are generated by a tax on tobacco products and are intended to facilitate the creation and implementation of an integrated and collaborative system of care for young children in the areas of health, family support and early learning. All revenue generated is collected in the California Children and Families (First 5 California) Trust Fund Account and allocations are made to each of the 58 counties in the State based on the number of births recorded in the relevant county in proportion to the number of births recorded in California. Each county must establish a local First 5 Commission to oversee the use of these funds in accordance with their strategic plan.

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of First 5 San Mateo County (First 5) for the year ended June 30, 2019. The information presented should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Financial Highlights

During the fiscal year ended June 30, 2019, First 5 contributed over $5.7 million in a wide variety of local programs and services for young children and their families.

Government-wide Financial Analysis

- The assets of First 5 exceeded its liabilities as of June 30, 2019 by $11,320,951 *(net position)*. The remaining balance may be used to meet First 5's ongoing obligations to grantees and creditors.

Fund Financial Analysis

- Total fund balance as of June 30, 2019 was $11,754,525. Of this amount, $6,090,421 was committed for current executed grants and contracts and for contract amendments not yet executed (obligated); and the remaining $5,664,104 was set aside for future programs, projects, and activities. All funding awards were in accordance with First 5's Strategic Plan and Long-Term Financial Plan.

- Contributions to local projects decreased by $1,492,897 or 20.6% from the previous fiscal year.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to First 5's basic financial statements which include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-wide financial statements provide readers with a broad overview of First 5's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of First 5's assets and liabilities, with the difference between the two reported as net position.

The *statement of activities* presents information showing how First 5's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the 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 a future fiscal period (e.g. earned but unused vacation leave).

The *government-wide financial statements* can be found on pages 7 and 8 of this report.

Fund financial statements are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements; however they 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.

The *fund financial statements* can be found on pages 9 and 10 of this report.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *notes* can be found on pages 12 through 34 of this report.

Government-wide Financial Analysis

As of June 30, 2019, First 5 assets exceeded liabilities by $11,320,951.

Net Position		2019		2018		2017
Total assets	$	13,645,782	$	14,894,503	$	17,492,146
Total deferred outflows of resources	$	603,107	$	765,504	$	599,924
Total liabilities	$	2,737,555	$	3,573,356	$	3,225,226
Total deferred inflows of resources	$	190,383	$	343,739	$	121,355
Net position	$	11,320,951	$	11,742,912	$	14,745,489

Fiscal Year 2019 Compared to Fiscal Year 2018

- At the end of fiscal year 2019, total assets decreased by $1,248,721 (8.4%) when compared to fiscal year 2018. The decrease was primarily due to the decrease in cash and cash equivalents for grant and vendor payments made during the year.
- Total deferred outflows of resources decreased by $162,397 (21.2%) due to a change in deferred pension and OPEB actuarial assumptions.
- Total liabilities decreased by $835,801 (23.4%). The decrease was mainly due to more accounts payable being paid before year end and less deferred grant revenue held at year end.
- Total deferred inflows of resources decreased by $153,356 (44.6%) due to a change in deferred pension and OPEB actuarial assumptions.
- Net position decreased by $421,961 (3.6%). Net position is money received that is set aside for programs, projects, and activities to be conducted in the future according to a documented plan, budget or financial forecast formally approved by First 5.

Fiscal Year 2018 Compared to Fiscal Year 2017

- At the end of fiscal year 2018, total assets decreased by $2,597,643 (14.9%) when compared to fiscal year 2017. The decrease was primarily due to the decrease in cash and cash equivalents for grant and vendor payments made during the year.
- Total deferred outflows of resources increased by $165,580 (27.6%) due to a change in deferred pension and OPEB actuarial assumptions.
- Total liabilities increased by $348,130 (10.8%). The increase was mainly due to more deferred grant revenue held at year end.
- Total deferred inflows of resources increased by $222,384 (183.3%) due to a change in deferred pension and OPEB actuarial assumptions.
- Net position decreased by $3,002,577 (20.4%). Net position is money received that is set aside for programs, projects, and activities to be conducted in the future according to a documented plan, budget or financial forecast formally approved by First 5. In addition, there was a restatement of $351,029 related to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* to adjust the net OPEB liability.

Changes in Net Position	2019	2018	2017
Program revenues	$ 6,573,412	$ 5,953,533	$ 6,275,018
General revenues	372,829	165,791	392,750
Program expenses	(7,368,202)	(8,770,872)	(7,625,592)
Change in net position	(421,961)	(2,651,548)	(957,824)
Net position, beginning of period (as restated)	11,742,912	14,394,460	15,703,313
Net position, end of period	$ 11,320,951	$ 11,742,912	$ 14,745,489

Fiscal Year 2019 Compared to Fiscal Year 2018

- Program revenues increased by $619,879 (10.4%) and general revenues increased by $207,038 (124.9%). The increase in program revenue was primarily due to increases in tobacco tax and other grants. The increase in general revenue was primarily due to higher investment earnings in 2019.
- Program expenses decreased by $1,402,670 (16.0%). The majority of the decrease was due to a decrease in contributions to local projects.

Fiscal Year 2018 Compared to Fiscal Year 2017

- Program revenues decreased by $321,485 (5.1%) and general revenues decreased by $226,959 (57.8%). The decrease in program revenue was primarily due to decreases in tobacco tax and other grants. The decrease in general revenue was primarily due to a Federal Refund of Child Health Initiative program that was received in 2017 but not in 2018.
- Program expenses increased by $1,145,280 (15.0%). The majority of the increase was due to an increase in contributions to local projects.
- For the year ended June 30, 2018, the beginning net position has been adjusted by $351,029 to decrease the net position balance as of the beginning of the period. The net OPEB liability was adjusted in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Fund Financial Analysis

First 5 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of June 30, 2019, First 5 reported a fund balance of $11,754,525, a decrease of $484,443 (4.0%) from the prior year. The decrease was mainly due to spending of First 5's fund balance committed to grantees and contractors through contractual obligations. Of the total, $6,090,421 of the fund balance was committed to grantees and contractors through contractual obligations in accordance with First 5's Strategic Plan and Long-Term Financial Plan. These plans are reviewed and approved by the First 5 Commission on an annual basis.

Budgetary Highlights

First 5 operating budget for FY18-19 totaled $9.3 million. The budget closeout revealed an estimated savings of $1.8 million, which is the excess of approved budgeted expenditures compared to actual expenditures. A key factor accounting for the $1.8 million positive budget variance was contributions to local projects which were attributed to under spending in grantee's contracts.

The budgetary comparison information can be found on page 11 of this report.

Requests for Information

This financial report is designed to provide a general overview of First 5's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Kitty Lopez, Executive Director, First 5 San Mateo County, 1700 S. El Camino Real, Suite 405, San Mateo, CA 94402-3050.

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)
STATEMENT OF NET POSITION
June 30, 2019

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 12,002,874
Intergovernmental receivable, net	1,569,454
Interest receivable, net	73,454
Total assets	13,645,782
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - NPL	542,091
Deferred outflows of resources - OPEB	61,016
Total deferred outflows of resources	603,107
LIABILITIES	
Accounts payable	1,694,273
Salaries and benefits payable	53,369
Grants refundable	143,615
Long-term liabilities:	
Net pension liability	606,419
Net OPEB liability	145,618
Compensated absences:	
Payable in less than one year	26,896
Payable in more than one year	67,365
Total liabilities	2,737,555
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - NPL	119,227
Deferred inflows of resources - OPEB	71,156
Total deferred inflows of resources	190,383
NET POSITION	
Unrestricted	11,320,951
Total net position	$ 11,320,951

The accompanying notes are an integral part of these financial statements.

Exhibit B

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Governmental Activities
Program expenses:	
Salaries and wages	$ 658,032
Employee benefits	197,145
Retirement benefits	419,362
General office supplies	31,293
Professional services	240,892
Other administrative expenses	63,213
Contributions to local projects	5,758,265
Total program expenses	7,368,202
Program revenues:	
Operating grants and contributions:	
Tobacco tax	6,025,857
Other grants	547,555
Total program revenues	6,573,412
Net program revenues (expenses)	(794,790)
General revenues:	
Investment earnings (losses)	372,829
Total general revenues	372,829
Change in net position	(421,961)
Net position, beginning of period, as restated	11,742,912
Net position, end of period	$ 11,320,951

The accompanying notes are an integral part of these financial statements.

Exhibit C

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2019

ASSETS		
Cash and cash equivalents	$	12,002,874
Intergovernmental receivable, net		1,569,454
Interest receivable, net		73,454
Total assets	$	13,645,782
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	1,694,273
Salaries and benefits payable		53,369
Grants refundable		143,615
Total liabilities		1,891,257
Fund balances:		
Committed		6,090,421
Assigned		5,664,104
Total fund balances		11,754,525
Total liabilities and fund balances	$	13,645,782

Reconciliation of the Governmental Funds Balance Sheet with the Governmental Activities Statement of Net Position:

Total Governmental Funds Fund Balances	$	11,754,525
Amounts reported in the Statement of Net Position are different because:		
Long-term assets are not available to pay for current period expenditures, and long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Deferred outflows of resources		603,107
Net pension liability		(606,419)
Net OPEB liability		(145,618)
Deferred inflows of resources		(190,383)
Compensated absences		(94,261)
Net Position of Governmental Activities	$	11,320,951

The accompanying notes are an integral part of these financial statements.

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

Exhibit D

Revenues:		
Tobacco tax	$	6,025,857
Investment earnings (losses)		372,829
Other grants		547,555
Total revenues		6,946,241
Expenditures:		
Salaries and benefits		1,337,021
Services and supplies		335,398
Contributions to local projects		5,758,265
Total expenditures		7,430,684
Excess of revenues over (under) expenditures		(484,443)
Fund balance, beginning of period		12,238,968
Fund balance, end of period	$	11,754,525

Reconciliation of the Net Change in Fund Balances with the Change in Net Position of Governmental Activities:

Net Change in Fund Balances	$	(484,443)
Amounts reported in the Statement of Activities are different because:		
Change in long-term portion of assets and liabilities do not provide or require the use of current financial resources and therefore are not reported in the governmental fund:		
Change in deferred outflows of resources		(162,397)
Change in net pension liability		110,240
Change in OPEB liability		(18,712)
Change in deferred inflows of resources		153,356
Change in compensated absences		(20,005)
Change in Net Position of Governmental Activities	$	(421,961)

The accompanying notes are an integral part of these financial statements.

First 5 San Mateo County

(A Discretely Presented Component Unit of the County of San Mateo)

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Budget and Actual

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Tobacco tax	$ 6,307,319	$ 5,868,804	$ 6,025,857	$ 157,053
Investment earnings (losses)	111,958	231,958	281,003	49,045
Other grants	320,740	757,772	547,555	(210,217)
Total revenues	6,740,017	6,858,534	6,854,415	(4,119)
Expenditures:				
Salaries and benefits	1,425,500	1,425,500	1,337,021	88,479
Services and supplies	415,800	424,577	335,398	89,179
Contributions to local projects	6,935,240	7,411,964	5,758,265	1,653,699
Total expenditures	8,776,540	9,262,041	7,430,684	1,831,357
Excess of revenues over (under) expenditures	$ (2,036,523)	$ (2,403,507)	(576,269)	$ 1,827,238
Fund balance, beginning of period			12,265,268	
Fund balance adjustment*			34,536	
Fund balance, end of period			$ 11,723,535	

*The fund balance adjustment represents minor accumulated differences from fiscal year 13/14 to fiscal 17/18 between the audited budget report and First 5's Trust Account Balance in the accounting system, OFAS. This one-time adjustment will reconcile the Fund Balance of the audited budget report to the Trust Account Balance in OFAS.

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Under the authority of the California Children and Families First Act of 1998 and sections 130100, et seq. of the Health and Safety Code, the Children & Families First Commission of San Mateo County (Commission) was established in March 1999. The Commission set up the Children and Families First Trust Fund with the County of San Mateo (County) in March 1999 to account for the receipts and disbursements of California Children and Families Trust Fund allocations to the Commission. On January 7, 2003, the County Board of Supervisors passed an ordinance changing the Commission's name to First 5 San Mateo County (First 5).

The financial transactions of First 5 are accounted for in a special revenue fund, as monies received by it are legally restricted or committed to specific use. Moneys allocated and appropriated to First 5 can be expended only for purposes authorized by the California Children and Families First Act of 1998 (Proposition 10) and in accordance with the First 5 Strategic Plan and Long-Term Financial Plan approved by the First 5 Commission and approved through the County budget process.

The County Board of Supervisors appoints all the members of the First 5 Commission. Therefore, the financial activities of First 5 are included in the basic financial statements of the County as a discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, & Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Contributions to local grantee organizations are recognized as expenditures when criteria for grant payments are met by the grantee organizations. When both restricted and unrestricted net position is available, restricted resources are generally depleted first before the unrestricted resources are used.

The Statement of Net Position presents First 5's financial position in a net position approach. The Statement of Activities reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of First 5 are offset by its program revenues - tobacco tax and private grants. First 5 has no business-type activities.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Measurement Focus, Basis of Accounting, & Financial Statement Presentation (concluded)

Governmental fund financial statements, presented after the government-wide financial statements, are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current assets. Revenues are recognized as soon as they are both measurable and available. "Measureable" means that the amount of the transaction can be determined. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be *available* when they are collectible within six months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds, regardless of their fund type. Major funds are those that have assets, liabilities, revenue or expenditures equal to at least ten percent of their fund-type total. The General Fund is always a major fund. First 5 may also select other funds it believes should be presented as major funds.

First 5 reports the following major governmental fund types: the General Fund is First 5's primary operating fund. It is used to account for all activities, except those required to be accounted for in another fund.

B. Program Revenues

Program revenues in the financial statements include tobacco tax and other funding from First 5 California, other grants, and private grants.

C. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of First 5 not restricted for any project or other purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, First 5 recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditure) until then. First 5 has two such items which are reported in Note 8 and Note 9.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until then. First 5 has two such items which are reported in Note 8 and Note 9.

E. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

F. Budgetary Information

First 5 adopts an annual budget, which can be amended by First 5 throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except that liability for compensated absences, postemployment benefits other than pensions and unrealized gains and losses are not included in the budget.

G. Other Postemployment Benefits (OPEB)

First 5 employees participate in the defined benefit postemployment healthcare plan administered by the County. The County is not obligated to pay for unused sick leave if employees terminate employment prior to retirement, except for those individuals who are laid off. Upon retirement, unused sick leave can be converted to postemployment healthcare benefits. The amount and duration of the County-paid benefits vary, depending on the bargaining units to which the employee belongs. The public safety employees are eligible to retire after attaining age 50 with at least ten years of service or at any age with 20 years of service. Others can retire from the County on or after attaining age 50 with at least ten years of service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

H. Risk Management

First 5 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County of San Mateo, through its self-insurance program, provides First 5 with Worker's Compensation and Employer Liability Insurance. First 5 compensates the County for maintaining such insurance. The County Counsel provides legal representation for any claims or litigation for First 5.

Claims have not exceeded coverage in the past fiscal year and there has not been a significant reduction in coverage in the current fiscal year.

I. Economic Dependency

First 5 has a significant economic dependency on tobacco tax allocations from the State, as these allocations represent a substantial portion of First 5's revenue. During the year ended June 30, 2019, First 5 received $6,025,857, which amounts to 87% of total revenue for the year. First 5's ability to continue operations depends primarily on the continuance of this funding source. Tobacco tax allocations from the State do not have a termination date but are vulnerable to changes in legislation.

J. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of First 5's pension plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by SamCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

First 5 considers short term and highly liquid investments to be cash and cash equivalents. Cash and cash equivalents are pooled with other funds in the San Mateo County Investment Pool (County Pool). The County Pool includes both voluntary and involuntary participants from external public entities. First 5 is a voluntary participant in the County Pool. Interest earned is received quarterly. Cash and cash equivalents in the County Pool are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer.

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

The County Pool is a governmental investment pool managed and directed by the elected San Mateo County Treasurer (Treasurer). The County Pool is not registered with the Securities and Exchange Commission as an investment company. California Government Code and the County's Investment Policy govern the County Pool activities. The objectives of this policy, in order of priority, are: safety, liquidity, yield, and public trust. The pool attempts to match maturities with planned outlays and maximize the return on investment over various market cycles. Yield is considered only after safety and credit quality have been met, consistent with limiting risk and prudent investment principles. The County Board reviews the County's Investment Policy annually, and all amendments to the policy must be approved by the County Board.

The fair value of cash and cash equivalents of First 5's investment in the County Pool is reported in the accompanying financial statements at amounts based upon First 5's pro-rata share of the fair value provided by the Treasurer for the County Pool portfolio. First 5's cash and cash equivalents in the pool totaled $12,002,874 as of June 30, 2019. The contractual withdrawal values (book values) were $11,971,882 as of June 30, 2019.

Fair Value of Investments

First 5 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.

First 5 has the following recurring fair value measurements as of June 30, 2019:

San Mateo County Investment Pool (Level 2 inputs)	$ 12,002,874

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

Authorized Investments of the County Pool

The County's Investment Policy and the California Government Code allow the County Pool to invest in the following, provided the credit ratings of the issuers are acceptable to the County Pool. The following also identifies certain requirements of the County Pool and California Government Code that address interest rate risk, credit risk, and concentrations of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % Allowed in Portfolio	Maximum % Investment in One Issuer
U.S. Treasury obligations	7 years	N/A	100	100
Obligations of U.S. agencies or government sponsored enterprises	7 years	AA or A-1	100	40
U.S. agencies callables	7 years	AA	100	25
Commercial paper	270 days or less	A1/P-1/F1	40	5
Negotiable certificates of deposit	5 years	A1/P-1/F1	30	5
Bankers acceptances	180 days	A1/P-1/F1	15	5
Collateralized time deposits within the State of California	1 year	A1/P-1/F1	15	5
Mortgage backed securities/CMO's	5 years	A or AA	20	5
Asset backed securities	5 years	AAA	20	5
Corporate bonds, medium term notes and covered bonds	5 years	AA/A	30	5
U.S Instrumentalities	5 years	AA	30	N/A
CA Municipal Obligations	5 years	AA	30	5
Repurchase agreements secured by U.S. Treasury of agency obligation	92 days	A-1	100	See limitation for Treasuries and Agencies above
Local Agency Investment Fund (LAIF)	N/A	N/A	N/A	Up to the current state limit
Shares of beneficial interest	N/A	A1/P1	10	5
Local Government Investment Pools (LGIPs)	N/A	N/A	10	5

At June 30, 2019, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
Certificates of deposit	2.40%-3.02%	7/2/19-4/2/21	0.56	A-1, A-1+, AA-, A, A+
Commercial paper	0.00%-2.57%	7/1/19-2/21/20	0.29	A-1, A-1+
LAIF	2.43%	9/1/19	0.25	NR
Repurchase agreements	2.40%	7/1/19	0.08	AA+
U.S. Treasury bills	0.00%	7/25/19-2/27/20	0.31	A-1+
U.S. Treasury notes	0.75%-2.00%	8/15/19-10/31/23	2.61	AA+
Federal agency floating rate securities	2.40%-2.58%	8/19/19-11/8/21	1.55	AA+
Federal agency securities	0.00%-2.88%	7/3/19-2/28/24	0.76	AA+
U.S. Instrumentalities	0.00%-2.60%	7/2/19-1/26/22	0.61	AAA
Floating rate securities	2.33%-3.55%	9/6/19-5/16/22	1.61	AA-, A-, A, AA, A+, AA+
Corporate bonds	0.88%-5.63%	7/12/19-8/11/22	1.33	AA-, A-, A, AA, AAA, A+, AA+
Money market funds	2.22%	7/1/19	0.08	AAA
Municipal bonds	3.25%-3.40%	8/1/19-8/1/23	2.17	AA-

NOTE 3 - CASH AND CASH EQUIVALENTS (concluded)

County Pool: Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County pool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years or less in accordance with its investment policy. As of June 30, 2019, the County Pool had a weighted average maturity of 0.84 years and its investment in floating rate securities was $204 million which are tied to the three-month London Interbank Offered Rate (LIBOR) index.

County Pool: Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the County's investment policy limit the County's investments in commercial paper to the rating of A-l or better by Standard & Poor's, or P-I or better by Moody's Investors Service; and corporate bonds to the rating of A or higher by both Standard & Poor's and Moody's Investors Service. No limits are placed on the U.S. government agency securities and U.S. Treasuries. The County's Investment pool was unrated.

County Pool: Custodial Credit Risk for Deposits
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of California Government Code. Under this code, any deposits of more than $0.25 million must be collateralized at 110% to 150% of the value of the deposit to guarantee the safety of the public funds. The first $0.25 million of the County's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the $0.25 million insured amount are fully collateralized by Union Bank by pledging identifiable U.S. Government securities at 110% or more.

County Pool: Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the County Pool's investment in a single issuer of securities. For each authorized investment type, State law and County Investment Policy restricts the maximum percentages allowed in the portfolio and per issuer. As of June 30, 2019, the investment pool has five percent or more of its total investments with the following issuers: 24% in Federal Agency Securities, 18% in Certificates of Deposit, 13% in Corporate Bonds, 11% in Commercial Paper, 10% in United States Treasury Notes, 7% in US Instrumentalities, and 6% in Repurchase Agreements.

County Pool: Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of an investment or deposit. The County investment policy does not include specific provisions to address foreign currency risk because the County's investment pool does not invest in foreign securities.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable represents revenues that were received after the fiscal year June 30, 2019:

Proposition 10 allocation - April	$	375,596
Proposition 10 allocation - May		444,371
Proposition 10 allocation - June		390,404
Surplus Money Investment Fund (SMIF)		15,171
Impact Grant		276,202
Impact Hub Grant		67,710
Total	$	1,569,454

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable is comprised of funding due to grantees and amounts due to vendors for services and supplies at the fiscal year ended June 30, 2019:

Funding due to grantees	$	1,689,055
Services and supplies		5,218
Total	$	1,694,273

NOTE 6 - COMPENSATED ABSENCES

First 5 accrues for compensated absences in the government-wide financial statements to pay its employees for unused vacation, compensatory time, and holiday. The accrual for compensated absences includes First 5's share of Social Security and Medicare contributions payable on behalf of the employees. Unused vacation, compensatory, and holiday time are cashed out upon separation.

The changes in the compensated absences balance for the fiscal year ended June 30, 2019 were as follows:

Balance – beginning of year	$	74,256
Additions		41,612
Retirements		(21,607)
Balance – end of year	$	94,261
Due within a year	$	26,896

NOTE 7 - GRANTS REFUNDABLE

First 5 received private grants of $300,000 from the David and Lucile Packard Foundation for support of First 5's Help Me Grow Program, $50,000 from Gilead Sciences for the Build-Up Kids Program and $65,000 from San Mateo County Human Services Agency for the Build-Up Kids Program. Of this amount, $143,615 ($28,615, $50,000 and $65,000, respectively) was unspent as of June 30, 2019.

NOTE 8 - EMPLOYEES' RETIREMENT PLAN

Plan Description

General. The San Mateo County Employees' Retirement Association (SamCERA) is a cost-sharing multiple-employer, defined benefit pension plan that provides benefits for substantially all permanent employees of the County, First 5, the San Mateo County Libraries, the Superior Courts of the County of San Mateo, and the San Mateo County Mosquito and Vector Control District. SamCERA was founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California and the County Employees' Retirement Law of 1937 (the 1937 Act), and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. SamCERA is a Pension Trust Fund of the participating employers.

Management of SamCERA is vested in the Board of Retirement consisting of nine members. SamCERA is governed by the California Constitution, the 1937 Act and the by-laws, procedures, and policies adopted by the Board of Retirement. Pursuant to the County Employees Retirement Law of 1937, board members include the County Treasurer, two general members of SamCERA elected by their peers, four members appointed by the County Board, one member from SamCERA's safety members, and one member from the retired membership.

The Board of Retirement undertakes the administrative and fiduciary responsibility over the pension plan. SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

Benefit Provisions. SamCERA provides service retirement, disability, and death benefits to plan members and beneficiaries based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA has seven tiers that cover members classified as general, safety, or probation, and provides annual cost-of-living adjustments upon retirement to members of Tiers 1, 2, 4, 5, 6, and 7. The benefits of Tier 3 are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the County Board with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

SamCERA has seven tiers covering members classified as general, safety or probation. Members in Tiers 1, 2, 4, 5, and 6 with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service and 10 years of membership) may retire at age 50. Members in Tier 3 with 10 years of continuous service may retire at age 55. Members in Tier 7 with 5 years of service may retire at age 52.

General members in Tiers 1, 2, 4, 5, and 6 may retire at any age after 30 years of service. Safety members and Probation members may retire at any age after 20 years of service. A member who leaves County service may withdraw his or her contributions, plus any accumulated interest. Members with five years of service, permanent part-time employees with five years of full-time service, or non-contributory members (Tier 3) with 10 years of service, may elect a deferred retirement when terminating their employment with the County.

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (continued)

In addition to the basic member and the cost sharing contributions, certain plan members (except those in Tier 3) are required to make contributions to fund the Cost of Living Adjustments (COLA). Certain members in Tiers 1, 2 and 4 contribute a specific percentage of the retirement COLA cost. All members in Tiers 5 and 6 contribute 50% of the COLA. Members in Tier 7 contribute 50% of the aggregate normal cost rate for their plan.

Contributions. The 1937 Act established the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The participating employers are required by statutes to contribute the amounts necessary to fund the estimated benefits accruing to SamCERA members not otherwise funded by member contributions or expected investment earnings. Employer contribution rates for each tier are determined pursuant to Government Code Section 31453 of the 1937 Act. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by members during the year) and an amount required to amortize the unfunded actuarial accrued liability. Contributions to the plan from First 5 were $228,829 for the year ended June 30, 2019.

For the fiscal year ended June 30, 2019, the contributions recognized as part of pension expense for the plan were as follows:

Contributions – employer	$	228,829
Contributions – employee		89,965

Net Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, First 5 reported $606,419 of net pension liability for its proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2018, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. First 5's proportion of the net pension liability was based on statutory contributions. First 5's proportionate share of the net pension liability was 0.12% as of June 30, 2018, which was the same from its share measured as of June 30, 2017.

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (continued)

For the year ended June 30, 2019, First 5 recognized pension expense of $166,401. At June 30, 2019, First 5 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
Pension contributions subsequent to measurement date	$ 228,829	$ -
Changes in pension-related assumptions	134,366	-
Change in proportionate share of net pension liability	589	-
Difference in actual and proportionate share of pension contributions	1,782	319
Differences between expected and actual pension experience	47,723	-
Differences between projected and actual earnings on pension investments	128,802	118,908
Total	$ 542,091	$ 119,227

First 5 reported $228,829 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended	
6/30/20	$ 112,985
6/30/21	72,658
6/30/22	1,335
6/30/23	7,057
Thereafter	-

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (continued)

The total pension liabilities in the June 30, 2018 actuarial valuation were determined using the information below.

Actuarial Methods and Assumptions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Experience Study	July 1, 2014 to April 30, 2017
Amortization Method	Level Percentage of Projected Payroll
Amortization Period	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers that are determined annually.
Asset Valuation Method	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Inflation Rate (CPI)	2.50%
Payroll Growth Rate	3.00%
Salary Increases Due to Service	The total expected increase in salary represents the increase due to promotions and longevity, adjusted for an assumed 3.00% per annum increase in the general wage. The total result is compounded rather than additive.
Mortality	Rates are primarily based on RP-2014 Healthy Annuitant Mortality Table for respective genders with MP-2014 Ultimate Projection Scale. See the valuation report as of June 30, 2018, for details.

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach in which a median (or expected) geometric rate of return is developed for each major asset class. The median rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and estimates of the median geometric rates of return for each major asset class are shown in the table below. The asset class return assumptions are presented on a nominal basis, and all assumptions include a base inflation rate assumption of 2.50%.

Asset Class	Target Allocation	Long-term Expected Rate of Return
Public Equity	40%	4.4%
Fixed Income	21%	1.2%
Alternatives	13%	3.7%
Risk Parity	8%	5.1%
Inflation Hedge	18%	4.2%
Total	100%	

Discount Rate

The investment rate of return assumption used to measure the total pension liability was 6.75% as of June 30, 2019, reduced in comparison to 6.92% from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that employer and member contributions will be made at the funding requirements under SamCERA's funding policy and the legal requirements under the County Employees Retirement Law of 1937. In addition, San Mateo County intends to contribute additional amounts over the next 10 years to accelerate the elimination of the unfunded actuarial accrued liability. 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 discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents First 5's proportionate share of the net pension liability of SamCERA, calculated using the discount rate for SamCERA, as well as what First 5's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease: 5.75%	Current Discount Rate 6.75%	1% Increase: 7.75%
Total pension liability	$ 6,901,111	$ 6,037,569	$ 5,333,825
Fiduciary net position	5,431,184	5,431,184	5,431,184
Net pension liability	1,469,926	606,419	(97,359)

NOTE 8 - EMPLOYEES' RETIREMENT PLAN (concluded)

Pension Plan Fiduciary Net Position
Detailed information about each pension plan's fiduciary net position is available in the separately issued SamCERA financial report.

Payable to the Pension Plan
At June 30, 2019, First 5 has paid all contributions to the pension plan required for the year ended June 30, 2019.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description
General. The County administers a postemployment benefit (OPEB) sick leave conversion Retiree Health Plan (a single-employer defined benefit plan), in which First 5 participates. This plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from SamCERA. Eligible retirees may elect to continue healthcare coverage in the County health plan and convert their sick leave at retirement to a County-paid monthly benefit that will partially fund their retiree health premiums.

Benefits provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The plan does not issue a separate financial report.

The County funds its OPEB plan through the California Employers' Retiree Benefits Trust (CERBT), an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other postemployment benefits for their covered employees or retirees. The CERBT's administrator, the California Public Employees' Retirement System (CalPERS), issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

Benefit Provisions. The County contracts with Kaiser and Blue Shield Health Plans to provide health coverage to its active members and pre-Medicare retirees (under age 65 and not covered by Medicare). The insurers charge the same premium for actives and retirees without Medicare; therefore, an implicit County subsidy of retiree premium exists. The implicit subsidy is determined by the difference between the true costs of the benefits and the actual premiums paid. Retiree health premiums would be significantly higher if premiums were determined without regard to active claims experience because health claim costs generally increase with age.

The County contracts with Kaiser, Secure Horizons, and Blue Shield to provide supplemental coverage for retirees enrolled in Medicare. Medical premiums for retirees enrolled in Medicare are not based on blended active experience; therefore, implicit subsidy does not exist in premiums for retirees enrolled in Medicare and receiving supplemental health coverage.

The duration and amount of the County-paid benefits varies based on the amount of sick leave at retirement, the date of hire, the date of retirement, and the bargaining group to which the retiree belongs. After County-paid benefits expire, the retirees may continue coverage in the County health plans at their own expense.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

For the majority bargaining units, hired prior to January 1, 2011. For each eight hours of unused sick leave at the time of retirement, the County contributes a set amount of the total premiums. For employees who retire with 20 or more years of service, the sick leave balance will be deducted at 6 hours per month instead of 8 hours.

Retirees who exhaust their sick leave will be credited with additional sick leave hours based on the years of service as follows: 10 year of service will be credited 96 hours, 15 year of service will be credited 192 hours, and 20 year of service will be credited 288 hours.

For the majority bargaining units, hired on or after January 1, 2011. For each eight hours of unused sick leave at the time of retirement, $400 of the total premiums will be contributed. Retirees can choose to cover spouses and dependents. Retirees can choose a higher level for the County portion, but will need to convert more sick leave hours each month for those higher amounts.

Future increases in retiree sick leave conversion benefits vary among various bargaining groups under the County's latest bargaining agreements. Demographic assumptions regarding retirement, disability, and turnover are based on statistics from the June 30, 2018 pension valuation for SamCERA.

Contributions. First 5's contribution is an amount equal to the actuarially determined contribution (ADC) every fiscal year. The amount of the ADC above the implicit rate subsidy is the cash contribution First 5 needs to make to CERBT in order to have total contributions equal to the ADC.

First 5's ADC was calculated based on the service cost plus amortization of the net OPEB liability on a closed basis over 30 years, beginning July 1, 2005. The amortization is calculated as a level percentage of payroll based on the payroll growth assumption. Contribution requirements or amendments for members and the County are established through negotiations with individual bargaining units.

The employer contributions for fiscal year ended June 30, 2019 were $41,808.

Employees Covered by Benefit Terms
At June 30, 2019 (census date), the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payment	0
Active plan members	9

Net OPEB Liability OPEB Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB
As of June 30, 2019, First 5 reported $145,618 of net OPEB liability for its proportionate share of the net OPEB liability. The net OPEB liability of the plan is measured as of June 30, 2018, and the total OPEB liability for the plan used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. First 5's proportion of the net OPEB liability was based on statutory contributions. First 5's proportionate share of the net OPEB liability was 0.14% as of June 30, 2018, which was the same from its share measured as of June 30, 2017.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

For the year ended June 30, 2019, First 5 recognized OPEB expense of $21,039. At June 30, 2019, First 5 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made subsequent to measurement date	$ 41,808	$ -
Changes of OPEB-related assumptions	11,695	53,490
Differences between expected and actual OPEB experience	5,177	16,455
Difference between projected and actual earnings on OPEB investments	2,336	1,211
Total	$ 61,016	$ 71,156

First 5 reported $41,808 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended	
6/30/20	$ (10,297)
6/30/21	(10,297)
6/30/22	(10,296)
6/30/23	(9,893)
6/30/24	(10,477)
Thereafter	(688)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The total OPEB liabilities in the June 30, 2018 actuarial valuation were determined using the information below:

Actuarial Methods and Assumptions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Experience Study	July 1, 2014 to June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.73%
Long-term Expected Rate of Return	6.73%, net of investment expense
Inflation	2.75%
Payroll Growth Rate	3.00%
Mortality	SamCERA June 30, 2017 pension evaluation
Healthcare Cost Trend	Adjusted to reflect the expected costs due to ACA 2018-19 6.00% 2019-20 6.30% 2020-21 7.70% After 2073 4.50%
Dental Cost Trend	4.00%
Vision Cost Trend	4.00%

As excise tax for high cost health coverage, or "Cadillac" health plans, was included in the Patient Protection and Affordable Care Act (ACA) passed into law in March 2010. The provision levies 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. The Consolidated Appropriations Act (CAA), which was signed into law in December 2015, delays the tax from 2018 to 2022. On January 22, 2018, another delay was signed into law, pushing the effective date to 2022. GASB Statement No. 75 indicates that the projection of benefits should include all benefits to be provided to retirees in accordance with the current "substantive" plan at the time of valuation. For this reason, the actuary has included the value of the excise tax in the June 30, 2018 valuation. The valuation also assumes that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the tax.

The OPEB plan assets are expected to be invested using a strategy to achieve the long-term rate of return. The County selected CERBT Fund Strategy 2 for its asset allocation as follows:

Asset Class	Target Allocation
Global Equity	40%
U.S. Fixed Income	39%
Treasury Inflation-Protected Securities (TIPS)	10%
Real Estate Investment Trusts (REITs)	8%
Commodities	3%
Total	100%

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate

The investment rate of return assumption used to measure the total OPEB liability was 6.73% as of June 30, 2019, which was the same as the prior fiscal year. The projection of benefit payments made in future periods and expected level of cash flows and investment were used to determine the discount rate and assumed that employer contributions will be made at the funding requirements. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to pay projected benefit payments in all future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability and net OPEB liability is equal to the long-term assumed rate of return, gross of administrative expenses.

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Discount Rate

The following presents First 5's proportionate share of the net OPEB liability of the County, calculated using the discount rate of 6.73%, as well as what First 5's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease: 5.73%	Current Discount Rate 6.73%	1% Increase: 7.73%
Total OPEB liability	$ 630,474	$ 572,919	$ 524,739
Fiduciary net position	427,301	427,301	427,301
Net OPEB liability	202,140	145,618	96,405

Sensitivity of the Proportionate Share of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents First 5's proportionate share of the net OPEB liability of the County, calculated using the current health care cost trend rates, as well as what First 5's proportionate share of the net OPEB liability would be if it were calculated using trend rates that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease: 5.00%	Current Trend Rates 6.00%	1% Increase: 7.00%
Total OPEB liability	$ 517,504	$ 572,919	$ 641,027
Fiduciary net position	427,301	427,301	427,301
Net OPEB liability	89,170	145,618	212,693

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (concluded)

OPEB Plan Fiduciary Net Position

The Plan Fiduciary Net Position and total OPEB liability were determined as of the measurement date. The components of the net OPEB liability as of June 30, 2018 were presented below. First 5's proportionate share was 0.14%.

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 523,550	$ 396,644	$ 126,906
Changes for the year:			
Service cost	22,343	-	22,343
Interest of total OPEB liability	36,012	-	36,012
Effect of economic/demographic gains or losses	6,033	-	6,033
Effect of assumptions changes or inputs	13,628	-	13,628
Benefit payments	(28,646)	(28,646)	-
Employer contributions	-	35,360	(35,360)
Net investment income	-	24,148	(24,148)
Administrative expenses	-	(204)	204
Net changes	49,369	30,657	18,712
Balance at June 30, 2018	$ 572,919	$ 427,301	$ 145,618

Payable to the OPEB Plan

At June 30, 2019, First 5 has paid all contributions to the OPEB plan required for the year ended June 30, 2019.

NOTE 10 - FUND BALANCE

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which First 5 is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. First 5's fund balances were comprised of the following:

Restricted Fund Balance - includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource provider.

Committed Fund Balance - includes amounts that can only be used for specific purposes determined by a formal action of First 5's highest level decision-making authority, the First 5 Commission. Commitments may be changed or lifted only by First 5 taking the same formal action that originally imposed the constraint.

Assigned Fund Balance - comprises amounts intended to be used by First 5 for specific purposes that are neither restricted nor committed. Intent is expressed by (1) First 5's Commission or (2) a body (for example: a budget or finance committee) or official to which First 5's Commission has delegated the authority to assign amounts to be used for specific purposes.

NOTE 10 - FUND BALANCE (concluded)

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed and assigned.

At fiscal year-end, fund balance reported on the Statement of Revenues, Expenditures and Changes in Fund Balance includes:

Committed		
Contracts and amendments to executed contracts:		
Grantees	$	5,641,089
Others		449,332
Assigned		5,664,104
Total fund balance	$	11,754,525

NOTE 11 - REVENUES

Tobacco Tax and Other Funding

First 5 receives a proportionate share of Proposition 10 money from First 5 California (formerly California Children and Families Commission) based on the number of live births in the county in comparison to the number of live births statewide. Proposition 10 money received by First 5 also includes Surplus Money Investment Fund allocations and Proposition 56 funds.

The Surplus Money Investment Fund allocations represent distributions of interest accrued on statewide Proposition 10 money.

The Impact Grant is awarded through a grant competitive application. This is not a regular allocation. The Impact Grant is a 5-year grant.

Tobacco tax and other revenues are comprised of:

Proposition 10:		
Monthly allocations	$	4,998,043
Surplus Money Investment Fund		15,171
Impact Grant		467,343
Proposition 56		545,300
Total	$	6,025,857

Other Grants

Other grants are comprised of:

Help Me Grow Grant	$	264,454
Impact HUB Grant		67,710
Help Me Grow Call Center Grant		25,000
Build-Up Kids Grant		14,709
Watch Me Grow - Clinic Based Services Grant		174,905
Wellness Grant		777
Total	$	547,555

NOTE 11 - REVENUES (concluded)

Investment Earnings (Losses)
Investment earnings of $372,829 for the year ended June 30, 2019, comprise of quarterly interest received from the County Treasurer on investments made by First 5 in the County Pool and the change in fair value of the investments. Interest is recorded in the year earned and is available to pay current liabilities.

Interest on investments	$	281,003
Change in fair value of investments		91,826
Total	$	372,829

NOTE 12 - RETIREMENT BENEFITS

Retirement benefits are comprised of:

County retirement contribution	$	231,922
Pension expense (changes in net pension liability)		166,401
OPEB expense (changes in net OPEB liability)		21,039
Total	$	419,362

NOTE 13 - CONTRIBUTIONS TO LOCAL PROJECTS

Starting in FY 2009-10, First 5 awarded $20,167,000 in Cycle One funding to local projects. Cycle One has a three-year term from FY 2009-10 to FY 2011-12. First 5 awarded $26,188,072 in Cycle Two funding to local projects. Cycle Two has a three-year term from FY 2011-12 to FY 2013-14 and has been extended through December 31, 2015. First 5 awarded $30,791,717 in Cycle Three funding to local projects. Cycle Three has a five-year term from FY 2015-16 to FY 2019-20.

NOTE 13 - CONTRIBUTIONS TO LOCAL PROJECTS (concluded)

Grant contributions for the year ended June 30, 2019 include:

Cycle Three Funding:		
Child Care Coordinating Council (IMPACT)	$	28,746
Community Gatepath (Help Me Grow Centralized Access Point and Family/Community Outreach)		140,161
Community Gatepath (Watch Me Grow)		857,890
Community Gatepath (Watch Me Grow - Clinic Based Services)		174,905
Daly City Peninsula Partnership (SHEC Community Host Agency)		32,356
Family Connections (Thriving Families)		199,824
Lucile Salter Packard Children's Hospital at Stanford (Help Me Grow Child Healthcare Provider Liaison)		21,023
Peninsula Family Services (Therapeutic Child Development Centers)		224,200
Puente de la Costa Sur (Suenos Unidos Parent Participatory Preschool)		53,277
Ravenswood Family Health Center - South (Oral Health Services)		250,000
Redwood City (Socios for Success)		29,392
San Mateo County Office of Education (EQ+IP)		1,408,418
San Mateo County Office of Education (IMPACT)		335,110
San Mateo County Office of Education (IMPACT HUB 2)		62,788
San Mateo County Office of Education (Family Eng. Prof Development)		238,261
Silicon Valley Community Foundation (PreK-3rd Grade Articulation and Alignment)		98,563
Star Vista (Early Childhood Services - Healthy Homes)		1,083,654
Contractors:		
Cheryl Oku (Help Me Grow Consultation Services)		112,923
Circle Communications (F5's 20-Year Investment Celebration)		5,000
Eileen Monahan Consulting (Build Up Business Engagement)		15,036
El Dorado Media Inc. (Special Web Page Development Service)		2,453
Lafrance Associate (Mental Health System)		1,728
Lafrance Associate (Trauma Informed Systems Planning Consultation)		5,778
Moonlight (Collateral Materials)		7,179
Persimmony International (Online Grant Mgt and Client Data Collection)		96,896
Runyon Saltzman (F5's 20-Year Investment Celebration)		22,255
Runyon Saltzman (Communications Consultation Services)		108,291
San Mateo County Event Center (F5's 20-Year Investment Celebration)		7,249
Sarah Kinahan Consulting (Build Up for SMC's Kids Facilities Consultation)		37,282
Sarah Kinahan Consulting (San Bruno Mapping Project)		12,348
Viva Strategy + Communications (QRIS Communications Consultation)		13,258
Other		72,021
Total	$	5,758,265

NOTE 14 - GRANT COMMITMENTS

First 5's commitments to grantees as of June 30, 2019 were as follows:

Cycle Three Funding	$	5,641,089

NOTE 15 - PROGRAM EVALUATION

First 5 spent $256,054 on program evaluation during the fiscal year ended June 30, 2019.

NOTE 16 - LEASE OBLIGATIONS

First 5 leases office facilities and other equipment categorized as noncancelable operating leases expiring on October 31, 2021. Total costs for such leases were $87,154 for the year ended June 30, 2019. The future minimum lease payments for the office facilities lease are as follows:

Fiscal year ending June 30, 2020	$	89,716
Fiscal year ending June 30, 2021		92,408
Fiscal year ending June 30, 2022 (through October 31, 2021)		31,105
Total	$	213,229

NOTE 17 - BUDGETARY ACCOUNTING AND ENCUMBRANCES

First 5 adopts an annual operating budget, which can be amended by First 5 throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except the budget excludes unrealized gains and losses and changes to the liabilities for compensated absences and postemployment benefits other than pensions (OPEB). The financial statements record unrealized gains and losses, compensated absences, and OPEB as required by generally accepted accounting principles (GAAP).

First 5 uses an encumbrance system in the County's general ledger system, OFAS, to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Any encumbrances outstanding at year-end are included in committed fund balance as they do not constitute expenditures or liabilities.

The net change in fund balance under budgetary basis on page 11 is reconciled to the net change in fund balance under GAAP basis on page 10 as follows:

Deficiency of revenues over expenditures/net change in fund balance – budgetary basis	$	576,269
Changes in unrealized (gain)/loss on cash equivalents		(91,826)
Deficiency of revenues over expenditures/net change in fund balance – GAAP basis	$	484,443

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)

Schedule 1

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2019

	2019
First 5's proportion of the collective net pension liability	0.12%
First 5's proportionate share of the collective net pension liability	$ 606,419
First 5's covered-employee payroll* (2018)	$ 806,833
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	75.16%
Plan fiduciary net position as a percentage of the total pension liability	89.96%

	2018
First 5's proportion of the collective net pension liability	0.12%
First 5's proportionate share of the collective net pension liability	$ 716,659
First 5's covered-employee payroll* (2017)	$ 808,645
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	88.62%
Plan fiduciary net position as a percentage of the total pension liability	87.49%

	2017
First 5's proportion of the collective net pension liability	0.11%
First 5's proportionate share of the collective net pension liability	$ 770,981
First 5's covered-employee payroll* (2016)	$ 756,154
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	101.96%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

	2016
First 5's proportion of the collective net pension liability	0.10%
First 5's proportionate share of the collective net pension liability	$ 572,419
First 5's covered-employee payroll* (2015)	$ 598,404
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	95.66%
Plan fiduciary net position as a percentage of the total pension liability	87.53%

	2015
First 5's proportion of the collective net pension liability	0.10%
First 5's proportionate share of the collective net pension liability	$ 409,823
First 5's covered-employee payroll* (2014)	$ 623,983
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	65.68%
Plan fiduciary net position as a percentage of the total pension liability	88.88%

The schedules present information to illustrate changes in First 5's proportionate share of the net pension liability over a ten year period when the information is available.

*In accordance with Statement No. 82 of the GASB, Covered Employee Payroll is the payroll on which contributions are based. Thus, these amounts may be different than shown in fiscal year ended 2016 and earlier reports.

First 5 San Mateo County

(A Discretely Presented Component Unit of the County of San Mateo)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FIRST 5'S CONTRIBUTIONS - PENSION PLAN

For the Year Ended June 30, 2019

		2019
Contractually required contribution	$	228,829
Contributions in relation to the contractually required contribution		228,829
Contribution deficiency (excess)	$	-
Covered payroll*	$	866,146
Contributions as a percentage of covered payroll		26.42%

		2018
Contractually required contribution	$	198,644
Contributions in relation to the contractually required contribution		198,644
Contribution deficiency (excess)	$	-
Covered payroll*	$	806,833
Contributions as a percentage of covered payroll		24.62%

		2017
Contractually required contribution	$	176,870
Contributions in relation to the contractually required contribution		176,870
Contribution deficiency (excess)	$	-
Covered payroll*	$	808,645
Contributions as a percentage of covered payroll		21.87%

		2016
Contractually required contribution	$	182,614
Contributions in relation to the contractually required contribution		182,614
Contribution deficiency (excess)	$	-
Covered payroll*	$	756,154
Contributions as a percentage of covered payroll		24.15%

		2015
Contractually required contribution	$	170,517
Contributions in relation to the contractually required contribution		170,517
Contribution deficiency (excess)	$	-
Covered payroll*	$	598,404
Contributions as a percentage of covered payroll		28.50%

		2014
Contractually required contribution	$	178,665
Contributions in relation to the contractually required contribution		178,665
Contribution deficiency (excess)	$	-
Covered payroll*	$	623,983
Contributions as a percentage of covered payroll		28.63%

The schedules present information to illustrate changes in First 5's contributions over a ten year period when the information is available.

*In accordance with Statement No. 82 of the GASB, Covered Employee Payroll is the payroll on which contributions are based. Thus, these amounts may be different than shown in fiscal year ended 2016 and earlier reports.

First 5 San Mateo County

(A Discretely Presented Component Unit of the County of San Mateo)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

For the Year Ended June 30, 2019

		2019
First 5's proportion of the collective net OPEB liability		14.34%
First 5's proportionate share of the collective net OPEB liability	$	145,618
First 5's covered-employee payroll (2018)	$	806,833
First 5's proportionate share of the collective net OPEB liability as a percentage of covered payroll		18.05%
Plan fiduciary net position as a percentage of the total OPEB liability		74.59%

		2018
First 5's proportion of the collective net OPEB liability		14.30%
First 5's proportionate share of the collective net OPEB liability	$	126,906
First 5's covered-employee payroll (2017)	$	808,645
First 5's proportionate share of the collective net OPEB liability as a percentage of covered payroll		15.69%
Plan fiduciary net position as a percentage of the total OPEB liability		75.76%

The schedules present information to illustrate changes in First 5's proportionate share of the net OPEB liability over a ten year period when the information is available.

First 5 San Mateo County

(A Discretely Presented Component Unit of the County of San Mateo)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF FIRST 5'S CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2019

		2019
Actuarially determined contribution	$	41,808
Contributions in relation to the actuarially determined contribution		41,808
Contribution deficiency (excess)	$	-
Covered payroll	$	866,146
Contributions as a percentage of covered-employee payroll		4.83%

		2018
Actuarially determined contribution	$	42,808
Contributions in relation to the actuarially determined contribution		42,808
Contribution deficiency (excess)	$	-
Covered payroll	$	806,833
Contributions as a percentage of covered-employee payroll		5.31%

The schedules present information to illustrate changes in First 5's contributions over a ten year period when the information is available.

First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2019

	2018	2017
Total OPEB Liability		
Service cost	$ 22,343	$ 23,857
Interest on total OPEB liability	36,012	40,073
Effect of economic/demographic gains or losses	6,033	(22,665)
Effect of assumptions changes or inputs	13,628	(73,676)
Benefit payments	(28,646)	(30,731)
Net change in total OPEB liability	49,369	(63,142)
Total OPEB liability, beginning	523,550	586,692
Total OPEB liability, ending (a)	$ 572,919	$ 523,550
Plan Fiduciary Net Position		
Employer contributions	$ 35,360	$ 42,808
Net investment income	24,148	26,522
Benefit payments	(28,646)	(30,731)
Administrative expenses	(204)	(178)
Net change in plan fiduciary net position	30,657	38,421
Plan fiduciary net position, beginning	396,644	358,223
Plan fiduciary net position, ending (b)	$ 427,301	$ 396,644
Net OPEB liability, ending (a)-(b)	$ 145,618	$ 126,906
Plan fiduciary net position as a percentage of the total OPEB liability	74.58%	75.76%
Covered-employee payroll	$ 806,833	$ 808,645
Net OPEB liability as a percentage of covered-employee payroll	18.05%	15.69%

The schedules present information to illustrate changes in First 5's changes in the net OPEB liability over a ten year period when the information is available.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
First 5 San Mateo County
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of First 5 San Mateo County, a discretely presented component unit of the County of San Mateo, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise First 5 San Mateo County's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered First 5 San Mateo County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First 5 San Mateo County's internal control. Accordingly, we do not express an opinion on the effectiveness of First 5 San Mateo County's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether First 5 San Mateo County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

1101 FIFTH AVENUE, SUITE 360 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
September 25, 2019

INDEPENDENT AUDITORS' REPORT ON
STATE COMPLIANCE

Board of Commissioners
First 5 San Mateo County
San Mateo, California

Compliance

We have audited First 5 San Mateo County's 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 First 5 San Mateo County's statutory requirements identified below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on First 5 San Mateo County's compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below occurred. An audit includes examining, on a test basis, evidence about First 5 San Mateo County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of First 5 San Mateo County's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine First 5 San Mateo County'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 Benefit Policies	2	Yes

1101 FIFTH AVENUE, SUITE 360 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

Opinion

In our opinion, First 5 San Mateo County 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, 2019.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
September 25, 2019