

**FIRST 5 SAN MATEO COUNTY  
 FINANCE AND ADMINISTRATION COMMITTEE MEETING**

**As authorized by Governor Newsom’s Executive Order N-29-20, dated March 17, 2020, the meeting will be held via teleconferencing with members of the Commission attending from separate remote locations. The meeting will be held and live cast from the following location where members of the public shall have the right to observe and offer public comment:**

**DATE: Monday, October 17, 2022**  
**TIME: 9:00 AM to 10:00 AM**  
 Join Zoom Meeting  
**Online: <https://smcgov.zoom.us/j/98803223027>**  
**Phone: +1 669 900 6833, Meeting ID: 988 0322 3027**

**This altered format is in observance of the recommendation by local officials that certain precautions be taken, including social distancing, to address the threat of COVID-19.**

**MEMBERS:** Rosanne Foust, Alexis Becerra, Sylvia Espinoza

**STAFF:** Kitty Lopez, Khanh Chau

**AGENDA**

1.	Adopt a resolution finding that, as a result of continuing COVID-19 pandemic state of emergency, meeting in person would present imminent risks to the health or safety of attendees (See Attachment 1a. and Attachment 1b.)	Becerra
2.	Approval of the Finance and Administration Committee Agenda	Becerra
3.	Approval of the June 13, 2022 Finance and Administration Committee Meeting Minutes (See Attachment 3)	Becerra
4.	Action: Review and Recommend Approval of F5SMC FY 2021-22 Budget Close Out as of 6.30.2022 (See Attachment 4, 4A, 4B, 4C)	Lopez / Chau
5.	Action: Review and Recommend Approval of F5SMC’s Basic Financial Statements for the Year Ending June 30, 2022 Audit Report and Its Submission to First 5 California and to California State’s Controller Office (See Attachments 5, 5A, 5B)	Lopez / Chau
	Next Finance and Administration Committee Meeting February 13, 2023	

**\* Public Comment:** This item is reserved for persons wishing to address the Commission Finance and Administration Committee on any Commission Finance and Administration Committee-related matters that are not otherwise on this meeting agenda. Public comments on matters not listed above shall be heard at the time the matter is called.

Persons wishing to address a particular agenda item should speak during that agenda item. Speakers are customarily limited to two minutes, but an extension may be provided to you at the discretion of the Commission Finance and Administration Committee Chair.

The identified times are approximate and are intended to serve as a guide to the public and all First 5 meeting attendees regarding the approximate start times for any one section of the Agenda. The actual start and end times for an agenda item may differ from the noted times.

Public records that relate to any item on the open session agenda for a regular Commission Finance and Administration Committee meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Commission. The documents are also available on the First 5 Internet Web site at [www.first5.smcgov.org](http://www.first5.smcgov.org).

Individuals who require special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Khanh Chau, by 12 Noon on Friday, October 14, 2022 at [kchau@smcgov.org](mailto:kchau@smcgov.org). Notification in advance of the meeting will enable the Commission Finance and Administration Committee to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

**Date:** October 17, 2022  
**To:** Finance and Administration Committee  
**From:** Kitty Lopez, Executive Director  
**Subject:** **Resolution to make findings allowing continued remote meetings under Brown Act**

**RECOMMENDATION:**

Adopt a resolution finding that, as a result of the continuing COVID-19 pandemic state of emergency declared by Governor Newsom, meeting in person for the Finance and Administration Committee of the First 5 San Mateo County Commission would present imminent risks to the health or safety of attendees.

**BACKGROUND:**

On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which rescinded his prior Executive Order N-29-20 and set a date of October 1, 2021 for public agencies to transition back to public meetings held in full compliance with the Brown Act. The original Executive Order provided that all provisions of the Brown Act that required the physical presence of members or other personnel as a condition of participation or as a quorum for a public meeting were waived for public health reasons. If these waivers had fully sunset on October 1, 2021, legislative bodies subject to the Brown Act would have to had contend with a sudden return to full compliance with in-person meeting requirements as they existed prior to March 2020, including the requirement for full physical public access to all teleconference locations from which board members were participating.

On September 16, 2021, the Governor signed AB 361, a bill that formalizes and modifies the teleconference procedures implemented by California public agencies in response to the Governor's Executive Orders addressing Brown Act compliance during shelter-in-place periods. AB 361 allows a local agency legislative body to continue to use teleconferencing under the same basic rules as provided in the Executive Orders when certain circumstances occur or when certain findings have been made and adopted by the legislative body. Since September 28, 2021, the Finance and Administration Committee of the First 5 San Mateo County Commission has renewed this finding for the following Committee Meetings: February 14, 2022, May 16, 2022, and June 13, 2022, accordingly.

AB 361 provides that Brown Act legislative bodies must return to in-person meetings on October 1, 2021, unless they choose to continue with fully teleconferenced meetings because a specific declaration of a state or local health emergency is appropriately

made. AB 361 allows legislative bodies to continue to conduct virtual meetings as long as there is a gubernatorially-proclaimed public emergency in combination with (1) local health official recommendations for social distancing or (2) adopted findings that meeting in person would present an imminent risk to health or safety of attendees. AB 361 became effective on October 1, 2021 and will sunset on January 1, 2024.

AB 361 also requires that, if the state of emergency remains active for more than 30 days, the legislative body must make findings by majority vote every 30 days to continue using the bill's exemption to the Brown Act teleconferencing rules. The findings demonstrate the need for teleconferencing persists due to the nature of the ongoing public health emergency. Effectively, this means that legislative bodies must either agendaize a Brown Act meeting once every thirty days to make these findings, or, if a legislative body has not made such findings within the prior 30 days, the legislative body must re-adopt the initial findings if it wishes to conduct a remote meeting.

The County Board of Supervisors has adopted a resolution finding that, as a result of the continuing COVID-19 pandemic state of emergency, meeting in person "would present imminent risks to the health or safety of attendees."

The County's resolution states, among other things, that: "The Board of Supervisors strongly encourages all legislative bodies of the County of San Mateo that are subject to the Brown Act, including but not limited to, the Planning Commission, the Assessment Appeals Board, the Civil Service Commission, and all other oversight and advisory boards, committees and commissions established by the Board of Supervisors and subject to the Brown Act, to make a similar finding and avail themselves of teleconferencing until the risk of community transmission has further declined, and directs the County Manager to provide necessary support for these legislative bodies to continue teleconferencing procedures when they have adopted such findings."

**DISCUSSION:**

For these reasons, we recommend that the Finance and Administration Committee of the First 5 San Mateo County Commission avail itself of the provisions of AB 361 allowing continuation of online meetings by adopting findings to the effect that conducting in-person meetings would present an imminent risk to the health and safety of attendees. A resolution to that effect and directing staff to take such other necessary or appropriate actions to implement the intent and purposes of the resolution, is attached hereto.

**FISCAL IMPACT:**

None

**RESOLUTION NO.**

**RESOLUTION FINDING THAT, AS A RESULT OF THE CONTINUING COVID-19 PANDEMIC STATE OF EMERGENCY DECLARED BY GOVERNOR NEWSOM, MEETING IN PERSON FOR THE FINANCE AND ADMINISTRATION COMMITTEE OF THE FIRST 5 SAN MATEO COUNTY COMMISSION WOULD PRESENT IMMEDIATE RISKS TO THE HEALTH OR SAFETY OF ATTENDEES**

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**WHEREAS**, on March 4, 2020, pursuant to Government Code section 8550, *et seq.*, Governor Newsom proclaimed a state of emergency related to the COVID-19 novel coronavirus, and subsequently, the San Mateo County Board of Supervisors (“Board”) declared a local emergency related to COVID-19, and the proclamation by the Governor and declaration by the Board remain in effect; and

**WHEREAS**, on March 17, 2020, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions in the California Open Meeting law, Government Code section 54950, *et seq.* (the “Brown Act”), related to teleconferencing by local agency legislative bodies, provided certain requirements were met and followed; and

**WHEREAS**, on June 11, 2021, the Governor issued Executive Order N-08-21, which extended provisions of Executive Order N-29-20 that waive otherwise-applicable Brown Act requirements related to remote/teleconference meetings by local agency legislative bodies through September 30, 2021; and

**WHEREAS**, on September 16, 2021, Governor Newsom signed AB 361 into law, and AB 361 provides that a local agency legislative body subject to the Brown Act may continue to meet without complying with the otherwise-applicable requirements in the Brown Act related to remote/teleconference meetings by local agency legislative

bodies, provided that a state of emergency has been declared and the legislative body determines that meeting in person would present imminent risks to the health or safety of attendees, and provided that the legislative body makes such finding at least every thirty (30) days during the term of the declared state of emergency; and

**WHEREAS**, on September 28, 2021, in the interest of public health and safety, as affected by the state of emergency caused by the spread of COVID-19, the Board issued a finding that meeting in person would present imminent risks to the health or safety of attendees, and decided to invoke the provisions of AB 361 related to teleconferencing for meetings of the Board; and

**WHEREAS**, the Board also strongly encouraged other County legislative bodies to make a similar finding and continue meeting remotely through teleconferencing; and

**WHEREAS**, since September 28, 2021, Finance and Administration Committee of the First 5 San Mateo County Commission has renewed this finding for the following Committee Meetings: February 14, 2022, May 16, 2022, and June 13, 2022, accordingly; and

**WHEREAS**, Finance and Administration Committee of the First 5 San Mateo County Commission has an important governmental interest in protecting the health, safety and welfare of those who participate in its meetings; and

**WHEREAS**, in the interest of public health and safety, as affected by the emergency caused by the spread of COVID-19, Finance and Administration Committee of the First 5 San Mateo County Commission finds that meeting in person would present imminent risks to the health or safety of attendees, and Finance and Administration

Committee of the First 5 San Mateo County Commission will therefore invoke the provisions of AB 361 related to teleconferencing for Committee Meetings of the San Mateo County Commission.

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED** that

1. The recitals set forth above are true and correct.
2. Finance and Administration Committee of the First 5 San Mateo County Commission finds that meeting in person would present imminent risks to the health or safety of attendees.
3. Staff is directed to take such other necessary or appropriate actions to implement the intent and purposes of this resolution.

\* \* \* \* \*

**FIRST 5 SAN MATEO COUNTY  
FINANCE AND ADMINISTRATION COMMITTEE  
MEETING MINUTES**

**June 13, 2022**

- Commission Member: Alexis Becerra, Sylvia Espinoza
- Staff: Kitty Lopez, Khanh Chau
- Minutes: Khanh Chau

Commissioner Becerra chaired the meeting.

Commissioner Rosanne Foust absent

**1. Adopt a resolution finding that, as a result of continuing COVID-19 pandemic state of emergency, meeting in person would present imminent risks to the health or safety of attendees.**

A motion to adopt a resolution finding that, as a result of continuing COVID-19 pandemic state of emergency, meeting in person would present imminent risks to the health or safety of attendees was made by Commissioner Espinoza, seconded by Commissioner Becerra. Unanimously approved.

**2. Approval of the Finance and Administration Committee Meeting Agenda**

A Motion for Approval of the June 13, 2022 Finance and Administration Committee Meeting Agenda was made by Commissioner Espinoza, seconded by Commissioner Becerra. Unanimously approved.

**3. Approval of the Finance and Administration Committee Meeting Minutes**

A Motion for Approval of the May 16, 2022 Finance and Administration Committee Meeting Minutes was made by Commissioner Espinoza, seconded by Commissioner Becerra. Unanimously approved.

**4. Verbal Discussion: Tobacco Tax Revenue Projections**

Kitty Lopez stated that the Tobacco Tax Revenue Projections are a snapshot in time; are updated and released annually from the State as new data evolves. However, there has been a delay in release of the 2022 Tobacco Tax Revenue Projections at this time.

Finance Committee members reviewed two scenarios of Tobacco Tax Revenue Projections with the passage of the Flavor Ban and without the Flavor Ban; said projections were released in May 2021 and updated in June 2021. The average annual declining rate of Tobacco Tax Revenue projections is 5.8% with the Flavor Ban, during 5-year period FY 2020-25, compared to 2.15% of average annual declining rate without Flavor Ban. Staff has consistently employed conservative approaches in developing agency FY2022-23 Budget and LTFP using the Tobacco Tax Revenue Projections with Flavor Ban. The Flavor Ban will be on the ballot and will be voted on in November 2022.

Committee members suggested to check with First 5 California, that if the Flavor Ban was passed, when the law might be taken into effect in case there were pending lawsuits from Tobacco Manufacturers against the Flavor Ban.

Committee members discussed pros and cons of Flavor Ban regarding to public health and First 5's revenue projections.

**5. Review and Recommend Approval of SPIP FY 2018-20 Funding Reallocations of \$190,000 from Evaluation Services to Emerging Strategies**

Kitty Lopez briefly stated that, due to COVID 19 impacts, Commission has approved the continuation and implementation of Strategic Plan Implementation Plan (SPIP) FY 2018-20 in coordination with the 3-year time frame of the SPIP FY2020-23. However, due to various timing delays in implementing and executing some of Evaluation Strategies paired with savings from utilizing the internal Evaluation staff, staff are proposing to reallocate \$190,000 from Evaluation Services line item to Emerging Strategies. This funding reallocation is within the SPIP FY2018-20 and without any additional funding request. Kitty Lopez cited various project possibilities for the uses of the reallocated funds in the Emerging Strategies, such as leverage fund for family engagement projects, work force initiatives, matching funds for Home Visiting, Friday Café Survey, continuation of Race and Equity consultation, and for other new emerging projects.

Committee members commented this is a fantastic way to repurpose funds for future projects within the Strategic Plan FY2018-20 and all inquiries and projects have merit. Committee members endorsed the proposal and recommended the approval of SPIP FY 2018-20 Funding Reallocation of \$190,000 from Evaluation Services to Emerging Strategies

**6. Review and Recommend Approval of F5SMC's Long-Term Financial Plan (LTFP) from FY 2020-21 through FY 2024-25 (FY21/22 Update)**

Kitty Lopez briefly stated that Long-Term Financial Plan LTFP is a State compliance requirement and is mandated for annual review by the Commission.

Kitty Lopez cited that Long-Term Financial Plan (LTFP) is a snapshot in time with financial information that continues to change and evolve. The Commission reviews and approves updated LTFP every year. As a conservative approach to Revenue projections, staff uses the Tobacco Tax Revenue Projections May 2021 with Flavor Ban, which is still current. The presented LTFP is in a similar format of the Budget presentation that Committee members saw in the Budget Presentation in May 2022, but for a 5-year span from FY2020-21 to FY2024-25.

Kitty Lopez walked through the LTFP summary and highlights. Other Grant Revenues are projected \$1.2M per year during FY2020-23 and \$600K per year during FY2023-25 as conservative approach to revenue projections. Kitty Lopez stated that agency's lean and small staffing structure allows focusing efforts on strategic initiatives while leveraging and acquiring new grant funding opportunities to enhance overall revenue. Having adequate staffing structure is essential for the agency to continue its work in the community.

Kitty Lopez cited that Admin Cost Rate is projected 10% during FY2020-23 and 13% during FY2023-25. At the end of FY 2024-25, Projected Ending Fund Balance after Pension Liability and Operational Reserves is \$5.070M which is approximate to one year

equivalent of FY 2024-225 Fiscal Revenue. We will continue to draw funding from Reserves to fund First 5 strategic initiatives, as per the Strategic Plan. After the year 2025, we anticipate operating a balanced budget where fiscal Appropriations are in line with fiscal Revenue.

Committee members reviewed and discussed the LTFP. Committee members cited tough years after 2025 and commented its comfortability with presented projections. Committee members endorsed the recommendation and approval of the LTFP (Update FY21/22).

Commissioner Becerra adjourned the meeting at 9:56 AM.

**DATE:** October 17, 2022  
**TO:** First 5 San Mateo County Finance and Administration Committee  
**FROM:** Kitty Lopez, Executive Director  
**RE:** Review and Recommend Approval of F5SMC FY 2021-22 Budget Close-Out as of June 30, 2022

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**ACTION REQUESTED**

Review and Recommend Approval of F5SMC FY 2021-22 Budget Close-Out as of June 30, 2022

**ECONOMIC FACTOR AND CURRENT YEAR BUDGET**

Agency executed two strategic plans that worked in parallel with each other during the fiscal year: the new strategic plan, FY2020-2023, and continuation implementation of some investment areas of the previous strategic plan, FY2018-2020, that had been delayed due to the COVID pandemic. Many service delivery programs shifted from in-person services to virtual supports for parents, providers, and children. In some cases, pre-school programs and community - based programs were open, however some comprehensive services were delayed or shifted due to work restrictions prior to vaccinations. Since vaccinations have been available, in-person programming is slowly increasing. First 5 San Mateo County and funded partners are diligently assessing what the new “normal” service delivery will be as virtual supports have been effective and hybrid models are increasingly being utilized.

Fiscal year 2021-2022 is the 2<sup>nd</sup> year of the new strategic plan implementation plan of the 3-year funding cycle FY2020-2023; most of Investment Strategies have been rolled out with emerging efforts in Policy Advocacy, Communication, System Changes and Health strategies.

Approximately 17% of agency fiscal year budget executions are in Other Grants that are funded from Non-Tobacco Tax Revenues or from Tobacco Tax Revenues acquired through competitive grant applications. Most of Other Grants are leverage funding within agency strategic plan investments strategies in Early Learning, Trauma and Resiliency Informed System Initiative (TRISI), Home Visiting, Integrated Systems for Children with Special Needs and San Mateo Children Success Planning Project.

Grantees and Community Base Organizations experience staffing challenges in this long pandemic recovery phase that cause delays in some grant executions. Most concerning however, are the shifts in workforce capacity and staffing and retention rates across all sectors (grantees) supporting young children and families. The “Great Resignation” is real and coupled with the very high cost of living in the Bay Area (San Mateo County specifically) and some low wages sectors are experiencing repercussions. We also know from our Trauma and Resiliency Informed System (TRISI) work specifically, and updates from our funded partners, that many staff continue to be stressed, burned out, and overworked because of pandemic shifts.

Overall, agency delivers approximately 70% of fiscal year budget. Given the pandemic recovery experiences previously and the implementation of 3-tier robust fiscal budget – new strategic plan FY2020-2023, previous strategic plan FY2018-2020, and Other Grant executions, the performance budget reading at 70% can be considered a great achievement. First 5 San Mateo County is grateful that funded partners are committed to serving and working with families and children in our county and have been implementing their strategic plans.

**FY 2021-22 BUDGET CLOSE-OUT as of June 30, 2022 HIGHLIGHTS**

- Please read this Budget Close Out Memo in conjunction with Attachments 4A, 4B, and 4C.

- The FY 2021-22 Budget Close-Out as of June 30, 2022 is presented in details in **Attachment 4A, 4B, and 4C** with key highlights presented in the table below:

<b>FY 2021-22 BUDGET CLOSE-OUT HIGHLIGHTS</b> <i>(July 1, 2021 – June 30, 2022)</i>	
<b>REVENUE</b>	<ul style="list-style-type: none"> <li>Interest Revenue of \$125K produces a net 31% positive variance or \$30K higher than the planned budget due to higher interest earning rate in the County investment pool.</li> <li>Tobacco Tax Revenue of \$5.695M produces a net 11% positive variance or \$589K higher than the planned budget due to the inclusion of \$1.430M Prop 56 Tax Revenue (the \$2 Tobacco Tax bill).</li> <li>F5CA IMPACT Grant and Home Visiting Grant Revenues totaling \$395K is 36% lower than the planned grant budgets due to staffing challenges in Home Visiting Grant execution.</li> <li>Additional revenues totaling \$794K from various Other Grants, which is 10% below the planned grant budgets due to some delays in grant executions.</li> <li><b>Total Actual Revenue of \$7.010M is approximately 5% higher than the planned budget due to higher Prop 56 Tax Revenue and additional Other Grant fundings.</b></li> </ul>
<b>EXPENDITURES</b>	<ul style="list-style-type: none"> <li>Total Program Expenditures of \$5.313M produce a net 31% positive variance or \$2.300M underspend. Major contributions to this positive variance are associated with delayed program executions due to staffing challenges in some investment areas paired with pending planning and implementation of various strategies of SPIP FY2018-2020 Carry Over.</li> <li>Total Administrative Expenditures of \$699K produce a net 13% positive variance or \$109K below the planned budget. Major contributions to this positive variance are associated with underspending in various administrative areas due to staff working outside of office.</li> <li><b>Total Program Expenditures of \$6.012M produce a net 30% positive variance or \$2.409M underspend. Major contributions to this positive variance are associated with delayed program executions due to staffing challenges in some investment areas, planning and implementation of various strategies of the SPIP FY2018-2020 Carry Over, and underspending in various administrative areas.</b></li> </ul>
<b>ENDING FUND BALANCE</b>	<ul style="list-style-type: none"> <li><b>FY 2021-22 Ending Fund Balance of \$13.842M represents 25% positive variance or \$2.715M higher than the Ending Fund Balance of the planned budget.</b></li> <li><b>Major contributions to this positive variance are associated with high Prop 56 Tax Revenue, additional Other Grant Revenues, and underspending in Program Appropriations due to staffing challenges in some investment areas, pending planning and implementation of the SPIP FY2018-2020 Carry Over and underspending in various administrative areas.</b></li> </ul>

**FISCAL IMPACT**

Admin Cost rate of 12% is within the Commission's approved Admin Cost Rate Policy of 15%.

**RECOMMENDATION**

Review and Recommend Approval of F5SMC FY 2021-22 Budget Close-Out as of June 30, 2022.

**BACKGROUND**

- At the May 24, 2021 Commission Meeting, Commission approved F5SMC FY 2021-22 Budget.
- At the February 28, 2022 Commission Meeting, Commission approved F5SMC FY 2021-22 Revised Budget.

## FIRST 5 SAN MATEO COUNTY

## SUMMARY FY21-22 BUDGET CLOSE OUT as of June 30, 2022

	FY 21-22 Revised Budget	YTD Actuals as of June 30, 2022	Accruals	FY21-22 Budget Close Out
<b>BEGINNING FUND BALANCE (Beginning Reserves*)</b>	<b>12,844,713</b>	<b>12,844,713</b>	<b>-</b>	<b>12,844,713</b>
<b>A. Interest Revenue</b>	<b>96,000</b>	<b>125,290</b>	<b>-</b>	<b>125,290</b>
<b>B. Tobacco Tax Revenue</b>	<b>5,106,000</b>	<b>5,322,759</b>	<b>372,915</b>	<b>5,695,673</b>
Tobacco Tax Revenue Fiscal Year Allocations	5,106,000	5,322,759	372,915	5,695,673
<b>C. Other Grant Revenues</b>	<b>1,502,025</b>	<b>624,307</b>	<b>564,750</b>	<b>1,189,057</b>
F5CA Other Grants / IMPACT Grant	620,000	215,177	180,286	395,463
Non-Tobacco Tax Grants (DLP, PHD, SHD, MHTSA)	882,025	409,130	384,465	793,595
<b>TOTAL REVENUES</b>	<b>6,704,025</b>	<b>6,072,356</b>	<b>937,665</b>	<b>7,010,021</b>
<b>TOTAL AVAILABLE FUND (Total Sources*)</b>	<b>19,548,738</b>	<b>18,917,069</b>	<b>937,665</b>	<b>19,854,734</b>
<b>PROGRAM APPROPRIATIONS</b>				
<b>D1. Strategic Plan Investment - SPIP FY 20-23</b>	<b>4,185,094</b>	<b>3,265,062</b>	<b>-</b>	<b>3,265,062</b>
Community Investments (FE, CH&D, EL)	3,836,854	2,938,879	-	2,938,879
Evaluation	43,643	45,780	-	45,780
Policy, Advocacy, & Communications (PAC)	304,597	280,403	-	280,403
<b>D2. Strategic Plan Investment - SPIP FY 18-20 Carry-Over</b>	<b>901,034</b>	<b>78,664</b>	<b>-</b>	<b>78,664</b>
Community Investments (FE, CH&D, EL)	387,799	66,506	-	66,506
Evaluation	350,000	-	-	-
Policy, Advocacy, & Communications (PAC)	163,235	12,158	-	12,158
<b>E. Other Grants</b>	<b>1,266,296</b>	<b>900,727</b>	<b>-</b>	<b>900,727</b>
F5CA Other Grants / IMPACT Grant	562,803	348,455	-	348,455
Non-Tobacco Tax Grants (DLP, PHD, SHD, MHTSA)	703,493	552,272	-	552,272
<b>F. Program Operations</b>	<b>1,261,149</b>	<b>1,069,005</b>	<b>-</b>	<b>1,069,005</b>
Program Shared Operating Budget	202,300	142,905	-	142,905
Program Staff S&B & Shared Admin Staff Time	873,309	783,905	-	783,905
Evaluation Staff S&B	185,540	142,195	-	142,195
<b>Total Program Appropriations (D1+D2+E+F)</b>	<b>7,613,573</b>	<b>5,313,459</b>	<b>-</b>	<b>5,313,459</b>
<b>ADMIN APPROPRIATIONS</b>				
<b>G. Admin Shared Operating Budget</b>	<b>202,300</b>	<b>142,905</b>	<b>-</b>	<b>142,905</b>
<b>H. Admin Staff S&amp;B</b>	<b>605,810</b>	<b>556,114</b>	<b>-</b>	<b>556,114</b>
<b>Total Admin Appropriations (G+H)</b>	<b>808,110</b>	<b>699,019</b>	<b>-</b>	<b>699,019</b>
<b>TOTAL APPROPRIATIONS (Net Appropriations*)</b>	<b>8,421,683</b>	<b>6,012,478</b>	<b>-</b>	<b>6,012,478</b>
Surplus / (Deficit) (Total Revenues - Total Appropriations)	(1,717,658)	59,878	937,665	997,543
<b>ENDING FUND BALANCE</b>	<b>11,127,055</b>	<b>12,904,591</b>	<b>937,665</b>	<b>13,842,256</b>
<b>Total S&amp;B</b>	<b>1,664,659</b>	<b>1,482,214</b>	<b>-</b>	<b>1,482,214</b>

FIRST 5 SAN MATEO COUNTY

DETAILS FY21-22 BUDGET CLOSE OUT as of June 30, 2022

	ORG/ACCT#	FY 21-22 Revised Budget	YTD Actuals as of June 30, 2022	Accruals	FY21-22 Budget Close Out	Budget Close Out vs. FY21-22 Revised Budget (%)	Notes to Budget Close Out
<b>BEGINNING FUND BALANCE (Beginning Reserves*)</b>		<b>12,844,713</b>	<b>12,844,713</b>		<b>12,844,713</b>	100%	
<b>A. Interest Revenue</b>	19510-1521	<b>96,000</b>	125,290	0	125,290	131%	Higher interest revenue due to higher interest rate in recent months
<b>B. Tobacco Tax Revenue</b>		<b>5,106,000</b>	<b>5,322,759</b>	372,915	5,695,673	111%	
Tobacco Tax Revenue Fiscal Year Allocations	19510-1861	5,106,000	5,322,759	372,915	5,695,673	111%	Tobacco tax revenue is higher due to inclusion of higher Prop 56 tax revenue.
<b>C. Other Grant Revenues</b>		<b>1,502,025</b>	<b>624,307</b>	<b>564,750</b>	<b>1,189,057</b>	79%	Delayed executions in some Other Grants
F5CA IMPACT Grant FY20-23	19510-1861	400,000	193,701	138,718	332,418	83%	
F5CA Home Visiting Grant FY20-22	19510-1861	220,000	21,476	41,568	63,044	29%	
F5SF IMPACT HUB TA FY21-22	19510-2643	138,998	39,066	68,180	107,246	77%	
County of San Mateo BHRS - Mental Health Services MHSA Prop 63	19510-2643	85,000	96,579	0	96,579	114%	
David Lucile Packard- Help Me Grow FY20-22	19510-2643	75,000	19,804	0	19,804	26%	FY20-21 Unearned Revenue is fully recognized
Sequoia Healthcare District - Special Needs Grant FY20-23	19510-2643	339,000		280,370	280,370	83%	
Sequoia Healthcare District - Mental Health Grant FY20-23	19510-2643	57,000		35,914	35,914	63%	
Aurrera Health Group - ACES Aware	19510-2643	15,277	14,577		14,577	95%	
SMC County Manager Office - SMC Children's Success Planning Project	19510-2643		8,153		8,153		Unearned Revenue \$10,697 as of 6.30.2022
Education- SMC Children's Success Planning Project	19510-2643		8,153		8,153		Unearned Revenue \$10,697 as of 6.30.2022
Peninsula Healthcare District - HMG Call Center CY2021	19510-2643		50,000		50,000		FY20-21 Unearned Revenue is fully recognized
Peninsula Healthcare District - HMG Call Center CY2022	19510-2643				0		Unearned Revenue \$50,000 as of 6.30.2022
CHI Refund	19510-2643	171,750	171,750		171,750	100%	
F5SMC Wellness Grant	19510-2101		1,048	0	1,048		
<b>TOTAL REVENUES</b>		<b>6,704,025</b>	<b>6,072,356</b>	<b>937,665</b>	<b>7,010,021</b>	105%	Positive variances are due to inclusion of high Prop 56 Tax Revenue and additional Other Grant fundings.
<b>TOTAL AVAILABLE FUNDS (TOTAL SOURCES*)</b>		<b>19,548,738</b>	<b>18,917,069</b>	<b>937,665</b>	<b>19,854,734</b>	102%	
<b>APPROPRIATIONS</b>							
<b>PROGRAM APPROPRIATIONS</b>							
<b>D1. Strategic Plan Investment - SPIP FY 20-23</b>		<b>4,185,094</b>	<b>3,265,062</b>	<b>0</b>	<b>3,265,062</b>	76%	Delayed execution of some grants due to staffing challenges; Grantee agencies, CBO' and etc. all have expressed staffing/workforce capacity challenges and some implementation delays due to the Pandemic and Pandemic Recovery. (i.e. in-person services, trainings, etc.)
Resilient Family	19540-6125	1,134,950	1,076,045		1,076,045	86%	
Healthy Children	19540-6156	1,327,078	907,392		907,392	68%	
Quality Care and Education	19540-6263	1,374,826	955,442		955,442	69%	
Grant Management and Other Evaluation Projects	19540-6265	43,643	45,780		45,780	105%	
Other Evaluation Projects	19540-6265	-		-	-		
Policy Advocacy, Communications & Systems Change	19540-6814	294,597	280,403		280,403	99%	
Emerging Projects	19540-6814	10,000	0		0	0%	
<b>D2. Strategic Plan Investment - SPIP FY 18-20 Carry-Over</b>		<b>901,034</b>	<b>78,664</b>	<b>-</b>	<b>78,664</b>	9%	Delay/planned due to leveraged funds to address strategies; Planning delays due to Pandemic
Children Health & Development - Carry Over	19540-6156	287,799	7,672		7,672	3%	
Early Learning - Carry Over	19540-6263	100,000	58,834		58,834	59%	
Other Evaluation Projects - Carry Over	19540-6265	350,000			0	0%	
PAC - Carry Over	19540-6814	118,357	3,675		3,675	3%	Potential Emerging strategies identified.
Emerging Projects - Carry Over	19540-6814	44,878	8,483		8,483	19%	Potential Emerging strategies identified. Expecting or fully expend FY22-23.

	ORG/ACCT#	FY 21-22 Revised Budget	YTD Actuals as of June 30, 2022	Accruals	FY21-22 Budget Close Out	Budget Close Out vs. FY21-22 Revised Budget (%)	Notes to Budget Close Out
<b>E. Other Grants</b>		<b>1,266,296</b>	<b>900,727</b>	<b>0</b>	<b>900,727</b>	71%	
F5CA IMPACT Grant	19540-6126	388,803	294,309		294,309	76%	On target for fully expending. Some delays due to pandemic.
F5CA Home Visiting Grant		174,000	54,146		54,146	31%	Delayed execution with no cost extension through 6.30.2023
F5SF IMPACT HUB TA FY21-22	19540-6126	128,000	105,307		105,307	82%	
County of San Mateo BHRS - Mental Health Services MHSA #1 (Prop 63)	19540-6131	71,706	85,116		85,116	119%	Additional funding for strategy from the newly MHSA#2 grant; leveraged/braided funding.
Peninsula Healthcare District - HMG Call Center Grant calendar year 2021	19540-6131	42,000	44,311		44,311	106%	Project deliverables completed.
David Lucile Packard- Help Me Grow Sequoia Healthcare District - Special Needs Grant	19540-6131	20,000	18,496		18,496	92%	
Sequoia Healthcare District - Mental Health Grant	19540-6131	393,792	258,530		258,530	66%	Projecting to expend fully by end of the grant; Braided funding.
		34,000	11,928		11,928	35%	Projecting to expend fully by end of the grant; Braided funding.
Aurrera Health Group - ACES Aware	19540-6131	13,995	12,277		12,277	88%	Project deliverables completed.
SMC County Manager Office - SMC Children's Success Planning Project	19540-6131		8,153		8,153		
Education- SMC Children's Success Planning Project	19540-6131		8,153		8,153		
<b>F. Program Operations</b>		<b>1,261,149</b>	<b>1,069,005</b>	<b>0</b>	<b>1,069,005</b>	85%	
Program Shared Operating Budget		202,300	142,905	0	142,905	71%	
Program Staff S&B & Shared Admin Staff Time		873,309	783,905	0	783,905	90%	
Evaluation Staff S&B		185,540	142,195	0	142,195	77%	
<b>Total Program Appropriations (D1+D2+D3+E+F)</b>		<b>7,613,573</b>	<b>5,313,459</b>	<b>0</b>	<b>5,313,459</b>	69%	Delayed execution of some grants due to staffing challenges; Grantee agencies, CBO' and etc. all have expressed staffing/workforce capacity challenges and some implementation delays due to the Pandemic and Pandemic Recovery. (i.e. in-person services, trainings, etc.)
<b>ADMIN APPROPRIATIONS</b>							
G. Admin Shared Operating Budget		202,300	142,905	0	142,905	71%	
H. Admin Staff S&B		605,810	556,114	0	556,114	92%	
<b>Total Administrative Appropriations</b>		<b>808,110</b>	<b>699,019</b>	<b>0</b>	<b>699,019</b>	87%	
Administrative Cost Rate %		10%	10%		12%		
<b>TOTAL APPROPRIATIONS (NET APPROPRIATIONS*)</b>		<b>8,421,683</b>	<b>6,012,478</b>	<b>0</b>	<b>6,012,478</b>	70%	Positive variances are associated with delayed grant executions due to staffing challenges and savings from staff working outside of the office
<b>ENDING FUND BALANCE (RESERVES*)</b>	<b>(ENDING</b>	<b>11,127,055</b>	<b>12,904,591</b>	<b>937,665</b>	<b>13,842,256</b>	125%	Positive variances are associated with high Prop 56 Tax revenue and underspend in Total Appropriations due to staffing challenges and saving in operating expenses

**Color Coding**

- Shared Budget/Shared Cost
- Revenue ; Fund Balance
- Appropriations
- Salaries & Benefits


## Schedule 1- FY 2021-22 OPERATING BUDGET CLOSE OUT as of 6.30.2022

ORG / ACCT#	FY21-22 Revised Budget	YTD Actuals as of June 30, 2022	Accruals	FY21-22 Budget Close Out	Budget Close Out vs. FY21-22 Revised Budget (%)	Notes to the Budget Close Out	
<b>I. Services and Supplies</b>							
Outside Printing & Copy Svc	19510-5191	2,000	0	0	0%	Place holder for outside printing	
General Office Supplies	19510-5193	8,000	2,765	2,765	35%		
Photocopy Lease & Usage	19510-5196	5,000	449	449	9%	Saving due to staff working outside of the office.	
Computer Supplies	19510-5211	15,000	2,150	2,150	14%	Software licenses and Place holder for emergency IT equipment	
County Memberships - (e.g. F5 Assn Dues)	19510-5331	15,000	12,806	12,806	85%		
Auto Allowance	19510-5712	11,000	10,842	10,842	99%		
Meetings & Conference Expense	19510-5721	10,000	750	750	8%		
Commissioners Meetings & Conference Exp	19510-5723	5,000	1,096	1,096	22%	Virtual meeting saving	
Other Business Travel Expense	19510-5724	10,000	8	8	0%	No business travel during the fiscal year	
Dept. Employee Training Expense	19510-5731	17,000	13,459	13,459	79%	Staff leadership training	
Wellness grant	19510-5856	0	1,075	1,075			
Other Professional Services	19510-5858	50,000	45,603	45,603	91%		
<b>Sub Total - Services &amp; Supplies</b>		<b>148,000</b>	<b>91,004</b>	<b>-</b>	<b>91,004</b>	<b>61%</b>	
<b>II. Other Charges</b>							
Telephone Service Charges	19510-6712	5,500	4,096	4,096	74%	Include direct Communication Services	
Automation Services - ISD	19510-6713	57,000	33,778	33,778	59%	IDS Core IT rate holidays for 6-months	
Annual Facilities Lease	19510-6716	70,000	62,689	62,689	90%	4-months free rent as new Lease Amendment	
General Liability Insurance	19510-6725	10,500	10,063	10,063	96%	Liability Insurance increase	
Official Bond Insurance	19510-6727	800	286	286	36%	Decrease county charges	
Human Resources Services	19510-6733	2,000	303	303	15%	Place holder for staff training which underspended.	
Countywide Security Services	19510-6738	800	556	556	70%	Decrease county charges	
All Other Service Charges	19510-6739	60,000	33,825	33,825	56%	include Card Keys, Audit, County Counsel and Accounting Services	
A-87 Expense	19510-6821	50,000	49,211	49,211	98%	Revised AB87 allocation	
<b>Sub Total - Other Charges</b>		<b>256,600</b>	<b>194,807</b>	<b>-</b>	<b>194,807</b>	<b>76%</b>	
<b>Total Operating Budget</b>		<b>404,600</b>	<b>285,811</b>	<b>-</b>	<b>285,811</b>	<b>71%</b>	Positive variances are associated with underspend and savings due staff working outside of the office

<b>Program Shared Operating Budget</b>		<b>202,300</b>	<b>142,905</b>	<b>-</b>	<b>142,905</b>	<b>71%</b>	Allocation rate 50%
<b>Admin Shared Operating Budget</b>		<b>202,300</b>	<b>142,905</b>	<b>-</b>	<b>142,905</b>	<b>71%</b>	Allocation rate 50%

## Schedule 2 - FY 2021-22 SALARIES &amp; BENEFITS BUDGET CLOSE OUT as of 6.30.2022

Program Staff & Shared Admin Staff		873,309	783,905	0	783,905	90%	27% Admin staff time allocated to Program
Evaluation Staff		185,540	142,195	0	142,195	77%	Underspent associated with staff on FLMA
Admin Staff		605,810	556,114	0	556,114	92%	
<b>Total Salaries and Benefits</b>		<b>\$ 1,664,659</b>	<b>\$ 1,482,214</b>	<b>\$ 1,482,214</b>	<b>89%</b>		Underspent associated with staff on FLMA

## Color Coding

Shared Budget/Shared Cost  
Revenue ; Fund Balance  
Appropriations  
Salaries & Benefits


**Date:** October 17, 2022  
**To:** First 5 San Mateo County Finance and Administration Committee  
**From:** Kitty Lopez, Executive Director  
**Re:** Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2022 Audit Report and Its Submission to First 5 California and to California State's Controller Office

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#### **ACTION REQUESTED**

**Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2022 Audit Report and Its Submission to First 5 California and to California State's Controller Office**

#### **INDEPENDENT AUDITORS' REPORT - OUTCOMES**

In accordance with compliance requirements, an audit of First 5 San Mateo County's Basic Financial Statements for the Year Ending June 30, 2022 was conducted by an independent auditor, Brown Armstrong Accountancy Corporation, Bakersfield, California.

Please see the F5SMC's Basis Financial Statements for the Year Ending June 30, 2022 Audit Report (**Attachment 5B**) and Communication Letter to the First 5 SMC Commissioner attached (**Attachment 5A**). Summary of Independent Auditors' Report Outcomes are as following:

- Independent Auditors' Report on the Financial Statements (pages 1-2): Unmodified opinion (clean opinion).
- 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 (pages 40-41): No instances of noncompliance or other matters that are required to be reported under the Government Audit Standards were identified (clean opinion)
- Independent Auditors' Report on State Compliance (pages 42-43): F5SMC complied in all material respects with the compliance requirements (clean opinion). There were no current year findings.

#### **BACKGROUND**

In accordance with California Health & Safety Code Sections 130140 and 130150, First 5 County Commissions are required to conduct an audit of their financial operations for each fiscal year and present the audit at a public hearing prior to submitting the report to First 5 California.

Each First 5 County Commission's audit should be performed (1) in accordance with generally accepted auditing standards of Institute of Certified Public Accountants, and (2) generally accepted governmental auditing standards issued by the United States General Accounting Office for financial, and (3) compliance audits. In addition, effective FY2006-2007, all County Commission audits must be in accordance with the California State Controller's Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program.

First 5 County Commission audits must be submitted to both First 5 California and the California State's Controller Office by November 1st of each year.

## Continuing Implementation of Governmental Accounting Standards Board Statements (GASBs)

For the fiscal year ending June 30, 2018, County of San Mateo (and First 5 San Mateo County) is responsible to implement the following statements, wherever applicable:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting for state and local governments by improving the accounting and financial reporting for OPEB plans and provides information obtained by state and local government employers about financial support for OPEB that is provided by other entities.
- GASB Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics related to blended component units, goodwill, fair value measurement, and postemployment benefits.
- GASB 68 ushers to the reporting of pension assets and liabilities, requiring immediate recognition of the net long-term liability of future pension benefits in excess of accumulated plan assets.

## Implementation of New Governmental Accounting Standards Board Statements GASB No. 87

For the year ended June 30, 2022, First 5 implements GASB Statement No. 87, *Leases*, to record the right-of-use asset lease office net amortization (audit report pages 34 and 35)

## FISCAL IMPACTS

### Impacts of GASB 68 and GASB 87 implementations:

- No fiscal impacts to cash flow and or to the actual fiscal budget close out.
- Consider GASB 68 implication to F5SMC's Ending Fund Balance Projection in the F5SMC's Long-Term Financial Plan (LTFP).

## RECOMMENDATION

Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2022 Audit Report and Its Submission to First 5 California and to California State's Controller Office.

## Glossary

SUMMARY OF STATEMENT NO. 87  
LEASES

(ISSUED 06/17)

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

*(<https://gasb.org/page/PageContent?pageId=/standards-guidance/pronouncements/summary--statement-no-87.html&isStaticPage=true>)*



**COMMUNICATION WITH THOSE CHARGED WITH  
GOVERNANCE AT THE CONCLUSION OF THE AUDIT  
(SAS 114)**

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

We have audited the financial statements of the governmental activities and the major fund of First 5 San Mateo County (First 5), a discretely presented component unit of the County of San Mateo, California, for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, 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, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by First 5 are described in Note 2 to the financial statements. As described in Note 1 to the financial statements, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the year ended June 30, 2022. We noted no transactions entered into by First 5 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting First 5's financial statements were:

Management's estimate of the fund balance commitments is based on unfinished contracts and their payment schedules. We evaluated the key factors and assumptions used to develop the accounting estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of investments is based on the method as detailed in the notes to the financial statements. We evaluated key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

**BAKERSFIELD**  
 4200 Truxtun Avenue, Suite 300  
 Bakersfield, CA 93309  
 661-324-4971

**FRESNO**  
 10 River Park Place East, Suite 208  
 Fresno, CA 93720  
 559-476-3592

**STOCKTON**  
 2423 West March Lane, Suite 202  
 Stockton, CA 95219  
 209-451-4833

Net Pension Liability (NPL), Net Other Postemployment Benefits (OPEB) Liability (NOL), and related items are based on actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. We evaluated the key factors and assumptions used to develop the estimates of NPL, NOL, and related items in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were for the NPL and NOL related items as described above.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 11, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to First 5's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as First 5's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Budgetary Comparison Schedule, Management Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of First 5's Contributions - Pension Plan, Schedule of Proportionate Share of the Net OPEB Liability, Schedule of First 5's Contributions - OPEB, and the Schedule of Changes in the Net OPEB Liability and Related Ratios, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Commissioners and management of First 5 and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
October 11, 2022

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

**SAN MATEO, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

**FIRST 5 SAN MATEO COUNTY  
FOR THE YEAR ENDED JUNE 30, 2022**

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the governmental activities and the major fund of the First 5 San Mateo County (First 5), a discretely presented component unit of the County of San Mateo, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise First 5'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 major fund of First 5 as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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. 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 the First 5 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 opinion.

**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 First 5'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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 the First 5'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; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the First 5'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.

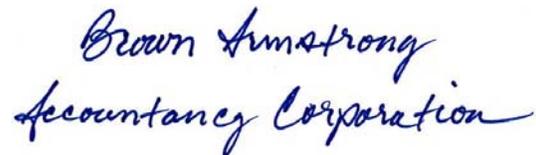
## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information (RSI), 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 RSI 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 October 11, 2022, on our consideration of First 5'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 First 5'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's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
October 11, 2022

**FIRST 5 SAN MATEO COUNTY  
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF SAN MATEO)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
JUNE 30, 2022**

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, 2022. 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, 2022, First 5 contributed over \$4.2 million in a wide variety of local programs and services for young children and their families.

**Government-Wide Financial Analysis**

- The assets and deferred outflows of resources of First 5 exceeded its liabilities and deferred inflows of resources as of June 30, 2022, by \$12,810,562 (*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, 2022, was \$13,075,335. Of this amount, \$5,521,838 was committed for current executed grants and contracts and for contract amendments not yet executed (obligated); the remaining \$7,553,497 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 increased by \$78,113 or 1.9% 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them two reported as net position.

**FIRST 5 SAN MATEO COUNTY**  
**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF SAN MATEO)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**JUNE 30, 2022**

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 8 and 9 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 10 through 13 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 14 through 34 of this report.

**Government-Wide Financial Analysis**

As of June 30, 2022, First 5 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,810,562.

**Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Total assets	\$ 15,492,529	\$ 13,945,396	\$ 1,547,133	11.1%
Total deferred outflows of resources	795,011	972,465	(177,454)	-18.2%
Total current liabilities	1,969,412	1,414,015	555,397	39.3%
Total long-term liabilities	572,499	1,261,475	(688,976)	-54.6%
Total deferred inflows of resources	935,067	169,363	765,704	452.1%
Net position	12,810,562	12,073,008	737,554	6.1%

**Fiscal Year 2022 Compared to Fiscal Year 2021**

- At the end of fiscal year 2022, total assets increased by \$1,547,433, 11.1%, when compared to fiscal year 2021. The increase was primarily due to an increase in receivables and prior year net OPEB liability becoming a net OPEB asset.
- Total deferred outflows of resources decreased by \$177,454 (18.2%) due to a change in deferred pension and other postemployment benefits (OPEB) actuarial assumptions.
- Total liabilities decreased by \$133,579 (5.00%). The decrease was mainly due to a decrease in net pension liability offset by the implementation of GASB Statement No. 87, *Leases*.
- Total deferred inflows of resources increased by \$765,704, 452.1%, due to a change in deferred pension and OPEB actuarial assumptions.
- Net position increased by \$737,554, 6.1%. 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.

**FIRST 5 SAN MATEO COUNTY**  
**(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF SAN MATEO)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**JUNE 30, 2022**

**Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
Program revenues	\$ 6,884,731	\$ 7,060,527	\$ (175,796)	-2.5%
General revenues (losses)	(374,852)	(36,386)	(338,466)	930.2%
Program expenses	<u>(5,772,325)</u>	<u>(6,030,554)</u>	<u>258,229</u>	<u>4.3%</u>
Change in net position	737,554	993,587	(256,033)	-25.8%
Net position, beginning of year	<u>12,073,008</u>	<u>11,079,421</u>	<u>993,587</u>	<u>9.0%</u>
Net position, end of year	<u>\$ 12,810,562</u>	<u>\$ 12,073,008</u>	<u>\$ 737,554</u>	<u>6.1%</u>

Fiscal Year 2022 Compared to Fiscal Year 2021

- Program revenues decreased by \$175,796 (2.5%) and general revenues decreased by \$338,466, (930.2%). The decrease in program revenues was primarily due to decreases in tobacco tax. The decrease in general revenues was primarily due to higher investment losses in 2022.
- Program expenses decreased by \$258,229 (4.3%). The majority of the decrease was due to a decrease in retirement benefits.

**Fund Financial Analysis**

First 5 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of June 30, 2022, First 5 reported a fund balance of \$13,075,335, an increase of \$497,338 (3.95%) from the prior year. The increase was mainly due to an increase in revenues. Of the total, \$5,521,838 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.

**Capital Assets and Debt Administration**

At the end of the current fiscal year, First 5's right-to-use assets consisted of \$283,701 (net of accumulated amortization). Right-to-use assets include one building lease. Refer to Note 5 Leased Assets for additional information.

At the end of the current fiscal year, First 5's long-term obligations consisted of lease liabilities in the amount of \$285,144, compensated absences of \$140,379, and net pension liability of \$285,978. Refer to Note 7 Long-Term Liabilities.

**Budgetary Highlights**

First 5 operating budget for fiscal year 2021-2022 expenditures totaled \$8.4 million. The budget closeout revealed an estimated savings of \$2.3 million, which is the excess of approved budgeted expenditures compared to actual expenditures. A key factor accounting for the \$2.3 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 35 of this report.

## **Economic Factor and Current Year Budget**

First 5 executed two strategic plans that worked in parallel with each other during the fiscal year: the new strategic plan FY2020-2023 and continuation implementation of some investment areas of the previous strategic plan FY2018-2020 that had been delayed due to the COVID pandemic. Many service delivery programs shifted from in-person services to virtual supports for parents, providers, and children.

In some cases, pre-school programs and community - based programs were open, however some comprehensive services were delayed or shifted due to work restrictions prior to vaccinations. Since vaccinations have been available, in-person programming is slowly ramping up. First 5 San Mateo County and funded partners are diligently assessing what the new “normal” service delivery will be as virtual supports have been effective and hybrid models are increasingly being utilized.

Fiscal year 2021-2022 is the 2<sup>nd</sup> year of the new strategic plan implementation plan of the 3-year funding cycle FY2020-2023; most of Investment Strategies have been rolled out with emerging efforts in Policy Advocacy, Communication, System Changes and Health strategies.

Approximately 17% of agency fiscal year budget executions are in Other Grants that are funded from Non-Tobacco Tax Revenues or from Tobacco Tax Revenues acquired through competitive grant applications. Most of Other Grants are leverage funding within agency strategic plan investments strategies in Early Learning, Trauma and Resiliency Informed System Initiative (TRISI), Home Visiting, Integrated Systems for Children with Special Needs and San Mateo Children Success Planning project.

Grantees and Community Base Organizations experience staffing challenges in this long pandemic recovery phase that cause delays in some grant executions. Most concerning however, are the shifts in workforce capacity, staffing and retention rates across all sectors (grantees) supporting young children and families. The “Great Resignation” is real and coupled with the very high cost of living in the Bay Area (San Mateo County specifically) and some low wages sectors are experiencing repercussions. We also know from our Trauma and Resiliency Informed System (TRISI) work specifically and updates from our funded partners that many staff continue to be stressed, burned out, and overworked because of pandemic shifts.

Overall, agency delivers approximately 70% of fiscal year budget. Given the pandemic recovery experiences previously and the implementation of 3-tier robust fiscal budget – new strategic plan FY2020-2023, previous strategic plan FY2018-2020, and Other Grant executions, the performance budget reading at 70% can be considered a great achievement. First 5 San Mateo County is grateful that funded partners are committed to serving and working with families and children in our county and have been implementing the strategic plans.

## **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.

## **BASIC FINANCIAL STATEMENTS**

**FIRST 5 SAN MATEO COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 13,929,733
Intergovernmental receivable, net	938,260
Interest receivable, net	37,752
Non-current assets:	
Net OPEB asset	303,083
Leased assets:	
Right-to-use - Building	368,811
Less accumulated amortization	<u>(85,110)</u>
Total leased assets net of amortization	<u>283,701</u>
Total assets	<u>15,492,529</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources - Pension	651,453
Deferred outflows of resources - OPEB	<u>143,558</u>
Total deferred outflows of resources	<u>795,011</u>
<u>LIABILITIES</u>	
Accounts payable	1,679,589
Salaries and benefits payable	79,427
Unearned revenue	71,394
Current portion of long-term liabilities:	
Lease liability	85,248
Compensated absences	53,754
Long-term liabilities:	
Lease liability	199,896
Net pension liability	285,978
Compensated absences	<u>86,625</u>
Total liabilities	<u>2,541,911</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources - Pension	564,350
Deferred inflows of resources - OPEB	<u>370,717</u>
Total deferred inflows of resources	<u>935,067</u>
<u>NET POSITION</u>	
Unrestricted	<u>12,810,562</u>
Total net position	<u><u>\$ 12,810,562</u></u>

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

**FIRST 5 SAN MATEO COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Governmental Activities</u>
Program expenses:	
Salaries and wages	\$ 654,129
Employee benefits	239,534
Retirement benefits	346,895
General office supplies	18,191
Professional services	196,245
Other administrative expenses	72,875
Contributions to local projects	<u>4,244,456</u>
Total program expenses	<u>5,772,325</u>
Program revenues:	
Operating grants and contributions:	
Tobacco tax	6,069,660
Other grants	<u>815,071</u>
Total program revenues	<u>6,884,731</u>
Net program revenues	<u>1,112,406</u>
General revenues:	
Investment net earnings (losses)	<u>(374,852)</u>
Total general revenues	<u>(374,852)</u>
Change in net position	<u>737,554</u>
Net position, beginning of year	<u>12,073,008</u>
Net position, end of year	<u><u>\$ 12,810,562</u></u>

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

**FIRST 5 SAN MATEO COUNTY  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022**

ASSETS

Cash and cash equivalents	\$ 13,929,733
Intergovernmental receivable, net	938,260
Interest receivable, net	<u>37,752</u>
Total assets	<u><u>\$ 14,905,745</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,679,589
Salaries and benefits payable	79,427
Unearned revenue	<u>71,394</u>
Total liabilities	<u>1,830,410</u>
Fund balance:	
Committed	5,521,838
Assigned	<u>7,553,497</u>
Total fund balance	<u>13,075,335</u>
Total liabilities and fund balance	<u><u>\$ 14,905,745</u></u>

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

**FIRST 5 SAN MATEO COUNTY  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

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

Total Governmental Fund Fund Balance	\$ 13,075,335
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:	
Right-to-use - Building	283,701
Deferred outflows of resources	795,011
Net pension liability	(285,978)
Net OPEB asset	303,083
Deferred inflows of resources	(935,067)
Lease liability	(285,144)
Compensated absences	<u>(140,379)</u>
Net Position of Governmental Activities	<u>\$ 12,810,562</u>

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

**FIRST 5 SAN MATEO COUNTY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

Revenues:	
Tobacco tax	\$ 6,069,660
Investment net earnings (losses)	(374,852)
Other grants	<u>815,071</u>
Total revenues	<u>6,509,879</u>
Expenditures:	
Salaries and benefits	1,482,217
Services and supplies	654,679
Contributions to local projects	<u>4,244,456</u>
Total expenditures	<u>6,381,352</u>
Excess/(deficiency) of revenues over/(under) expenditures	128,527
Other financing sources:	
Lease financing	<u>368,811</u>
Net change in fund balance	497,338
Fund balance, beginning of year	<u>12,577,997</u>
Fund balance, end of year	<u><u>\$ 13,075,335</u></u>

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

**FIRST 5 SAN MATEO COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance - Governmental Fund	\$	497,338
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Amounts reported in the Statement of Activities are different because:

Change in the 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 lease amortization expense		(85,110)
Change in deferred outflows of resources		(177,454)
Change in net pension liability		869,563
Change in net OPEB asset		319,130
Change in deferred inflows of resources		(765,704)
Change in lease principal payments		83,667
Change in compensated absences		(3,876)
		(3,876)

Change in Net Position of Governmental Activities	\$	737,554
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The accompanying notes are an integral part of these financial statements.

**FIRST 5 SAN MATEO COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 and 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 general 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, and 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.

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.

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. "Measurable" 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

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

### D. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

**Net Investment in Capital Assets** – 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. First 5 did not have any of its net position invested in capital assets at June 30, 2022.

**Restricted Net Position** – This category presents net position with external restrictions imposed on its use by creditors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. There were no restrictions of net position as of June 30, 2022.

**Unrestricted Net Position** – This category represents net position of First 5 not restricted for any project or other purpose. Fund Balance is reported in Note 10.

### E. Deferred Outflows and Inflows of Resources

First 5 records deferred outflows of resources for the 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.

First 5 also records deferred inflows of resources for the 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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### F. 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.

### G. 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.

### H. 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.

### I. 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, 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. County Counsel provides legal representation for any claims or litigation for First 5.

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

### J. 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, 2022, First 5 received \$6,069,660, which amounts to 93.24% 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.

### K. 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 plan's fiduciary net position have been determined on the same basis as they are reported by San Mateo County Employees Retirement Association (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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **L. 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 time, and holiday are cashed out upon separation.

### **M. New Accounting Pronouncements Implemented**

First 5 implemented the following Governmental Accounting Standards Board (GASB) Statement.

Statement No. 87, *Leases*. The provisions of this statement are effective for reporting periods beginning after June 15, 2021. The First 5 has implemented this statement and the provisions are contained within the financial statements.

## **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 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.

The County Pool is a governmental investment pool managed and directed by the elected County Treasurer (Treasurer). The County Pool is not registered with the Securities and Exchange Commission as an investment company. The 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 County 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 of Supervisors reviews the County's Investment Policy annually, and all amendments to the policy must be approved by the County Board of Supervisors.

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 \$13,929,733 as of June 30, 2022. The contractual withdrawal values (book values) were \$14,318,590 as of June 30, 2022.

### **Fair Value of Investments**

First 5 categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2022, First 5 held no individual investments. All funds are invested in the County Pool. First 5's proportionate share of investments in the County Pool at June 30, 2022, of \$13,929,733 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The County's financial statements may be obtained by contacting the Office of the Controller, 555 County Center, 4th Floor, Redwood City, CA 94063.

**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 callable	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	AA	20	5
Asset backed securities	5 years	AAA	20	5
Corporate bonds, medium-term notes, and covered bonds	5 years	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	Money Market/AAAm	20	10
Local Government Investment Pools (LGIPs)	N/A	N/A	20	10

At June 30, 2022, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
Certificates of deposit	0.33%-2.70%	07/06/22-04/26/23	1.5	A-1, A-1+, AA-
Commercial paper	0.00%	07/05/22-01/03/23	1.6	A-1, A-1+
LAIF	0.94%-1.40%	07/01/21	2.3	AAA, NR
U.S. Treasury bills	0.00%	09/08/22-11/03/22	1.8	AA+
U.S. Treasury notes	0.00%-2.87%	07/31/22-11/30/26	2.8	AA+
Federal agency securities	0.00%-2.70%	07/21/22-11/07/25	2.5	AA+, AAA
U.S. Instrumentalities	0.00%-2.50%	07/01/22-01/13/27	2.2	AAA
Corporate bonds	0.35%-4.00%	08/16/22-05/15/27	3.5	AA-, A-, A, AA, A+, AA+, BBB+
Money market funds	0.00%	07/01/22	0.0	AAA
Asset backed securities	0.37%-2.60%	10/16/23-11/16/26	2.2	AAA, NR
Municipal bonds	0.67%-3.40%	08/01/23-08/01/25	3.2	AA-, AA, AA+, AAA

**NOTE 3 – CASH AND CASH EQUIVALENTS** (Continued)

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, 2022, the County Pool had a weighted average maturity of 2.5 years.

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-1 or better by Standard & Poor's or P-1 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 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 restrict the maximum percentages allowed in the portfolio and per issuer. As of June 30, 2022, the County Pool has five percent or more of its total investments with the following issuers: 33.0% in United States Treasury Notes, 29.8% in Federal Agency Securities, 10.4% in Corporate Bonds, 10.1% in US Instrumentalities, and 6.3% in Certificates of Deposit.

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 Pool does not invest in foreign securities.

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivable represents revenues that were received after the year June 30, 2022:

Proposition 10 allocation - June	\$	370,799
Surplus Money Investment Fund (SMIF)		2,711
Impact Grant		138,718
Impact Hub Grant		68,180
Sequoia Healthcare Grant		316,284
Home Visiting Grant		41,568
		<hr/>
Total	\$	<u>938,260</u>

## NOTE 5 – LEASED ASSETS

Leased asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balances June 30, 2021	Additions	Deletions	Balances June 30, 2022
Right-to-use leased assets, amortizable:				
Buildings	\$ -	\$ 368,811	\$ -	\$ 368,811
Total right-to-use leased assets being amortized	-	368,811	-	368,811
Less accumulated amortization for:				
Buildings	-	(85,110)	-	(85,110)
Total accumulated amortization	-	(85,110)	-	(85,110)
Total right-to-use leased assets, net	<u>\$ -</u>	<u>\$ 283,701</u>	<u>\$ -</u>	<u>\$ 283,701</u>

Amortization for right-of-use leased assets for the fiscal year ended June 30, 2022, was \$85,110.

## NOTE 6 – ACCOUNTS PAYABLE

Accounts payable is comprised of funding due to grantees and amounts due to vendors for services and supplies at the year ended June 30, 2022:

Funding due to grantees	\$ 1,504,178
Services and supplies	<u>175,411</u>
Total	<u>\$ 1,679,589</u>

## NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of First 5's long-term liabilities as of June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Long-Term Liabilities					
Compensated absences	\$ 136,503	\$ 84,796	\$ (80,920)	\$ 140,379	\$ 53,754
Other Long-Term Liabilities					
Net pension liability	1,155,541	-	(869,563)	285,978	-
Net OPEB asset	16,047	-	(319,130)	(303,083)	-
Total Other Long-Term Liabilities	<u>1,171,588</u>	<u>-</u>	<u>(1,188,693)</u>	<u>(17,105)</u>	<u>-</u>
Total	<u>\$ 1,308,091</u>	<u>\$ 84,796</u>	<u>\$ (1,269,613)</u>	<u>\$ 123,274</u>	<u>\$ 53,754</u>

On November 1, 2021, the First 5 entered into a 48 month lease as Lessee for the use of 1700 South El Camino Real, Suite 405, San Mateo. An initial lease liability was recorded in the amount of \$368,811, on November 1, 2021. As of June 30, 2022, the value of the lease liability is \$285,144. The First 5 is required to make monthly fixed payments of \$7,896. The First 5 is utilizing an incremental borrowing rate of 1.23%. The building's estimated useful life was 48 months as of the contract commencement.

**NOTE 7 – LONG-TERM LIABILITIES** (Continued)

Year Ending June 30,	Principal	Interest
2023	\$ 85,248	\$ 3,033
2024	85,248	1,990
2025	85,248	934
2026 (through October 31, 2025)	29,400	74
Total	\$ 285,144	\$ 6,031

**NOTE 8 – EMPLOYEES’ RETIREMENT PLAN**Plan Description

*General.* 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 1937 Act, board members include the County Treasurer, two general members of SamCERA elected by their peers, four members appointed by the County Board of Supervisors, 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 (COLAs) 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 of Supervisors 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.

**NOTE 8 – EMPLOYEES’ RETIREMENT PLAN** (Continued)

Plan Description (Continued)

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.

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 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 \$279,876 for the year ended June 30, 2022.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the plan were as follows:

Contributions – employer	\$	279,876
Contributions – employee		103,465

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

As of June 30, 2022, First 5 reported \$285,978 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, 2021, 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, 2021. 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, 2021, which was no change from its share measured as of June 30, 2020.

**NOTE 8 – EMPLOYEES’ RETIREMENT PLAN** (Continued)

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

First 5 reported \$279,876 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 28,393
2024	21,325
2025	(48,692)
2026	<u>(193,799)</u>
Total	<u>\$ (192,773)</u>

The total pension liabilities in the June 30, 2021 actuarial valuation were determined using the information below.

**NOTE 8 – EMPLOYEES’ RETIREMENT PLAN** (Continued)

Actuarial Methods and Assumptions

Measurement Date	June 30, 2021
Valuation Date	June 30, 2021
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Experience Study	July 1, 2017 to April 30, 2020
Amortization Method	Level Percentage of Projected Payroll
Amortization Period	Unfunded actuarial accrued liability (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:	
General Wage Increases	3.00%
Investment Rate of Return (1)	6.42%
Growth in Active Membership	0.00%
Inflation Rate (Consumer Price Index (CPI))	2.50%
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 PubG-2010 Mortality Table for respective genders projected with MP-2014 Ultimate Projection Scale. See the valuation report as of June 30, 2021, for details.

(1) Differs from the actuarial valuation for funding purposes due to addition of administrative load of 0.17%.

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	41%	3.4%
Fixed Income	28%	0.5%
Alternatives	13%	5.0%
Inflation Hedge	17%	3.7%
Liquidity	1%	-1.3%
Total	100%	

**NOTE 8 – EMPLOYEES’ RETIREMENT PLAN** (Continued)

Discount Rate

The investment rate of return assumption used to measure the total pension liability was 6.42% as of June 30, 2022, a decrease in comparison to 6.67% from the prior 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 1937 Act. In addition, the County intends to contribute additional amounts over the next 10 years to accelerate the elimination of the UAAL. 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 5.42%	Current Discount Rate 6.42%	1% Increase 7.42%
Total pension liability	\$ 18,517,237	\$ 16,171,078	\$ 14,265,401
Fiduciary net position	15,885,100	15,885,100	15,885,100
Net pension liability	2,632,137	285,978	(1,619,699)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SamCERA financial report.

Payable to the Pension Plan

At June 30, 2022, First 5 has paid all contributions to the pension plan required for the year ended June 30, 2022.

**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.

## **NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

### Plan Description (Continued)

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.

*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 years of service will be credited 96 hours, 15 years of service will be credited 192 hours, and 20 years 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, 2021 pension valuation for SamCERA.

*Contributions.* First 5's contribution is an amount equal to the actuarially determined contribution (ADC) every 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 asset 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 the year ended June 30, 2022, were \$105,697.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)Employees Covered by Benefit Terms

At June 30, 2022 (using a June 1, 2021 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 payments	<u>-</u>
Total active plan members	<u><u>9</u></u>

Net OPEB Asset, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2022, First 5 reported \$303,083 of net OPEB asset for its proportionate share of the net OPEB asset. The net OPEB asset of the plan is measured as of June 30, 2021, and the total OPEB liability for the plan used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. First 5's proportion of the net OPEB asset was based on statutory contributions. First 5's proportionate share of the net OPEB asset was 0.40% as of June 30, 2021, which was no change from its share measured as of June 30, 2020

For the year ended June 30, 2022, First 5 recognized OPEB expense of \$15,405. At June 30, 2022, First 5 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made subsequent to measurement date	\$ 105,697	\$ -
Changes of OPEB-related assumptions	35,189	126,737
Differences between expected and actual OPEB experience	2,672	99,153
Net difference between projected and actual earnings on OPEB investments	<u>-</u>	<u>144,827</u>
Total	<u><u>\$ 143,558</u></u>	<u><u>\$ 370,717</u></u>

First 5 reported \$105,697 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB asset 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 as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	\$ (71,567)
2024	(72,152)
2025	(62,268)
2026	(63,730)
2027	(25,950)
Thereafter	<u>(37,189)</u>
Total	<u><u>\$ (332,856)</u></u>

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the information below.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Actuarial Methods and Assumptions

Measurement Date	June 30, 2021
Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Experience Study	July 1, 2017 to April 30, 2020
Actuarial Assumptions:	
Discount Rate	5.75%
Long-Term Expected Rate of Return	5.75%, net of investment expense
Inflation	2.50%
Payroll Growth Rate	3.00%
Mortality	Rates are primarily based on MP-2014 Ultimate Projection Scale.
Healthcare Cost Trend	Adjusted to reflect the expected costs due to ACA
	2021-22 5.10%
	2022-23 5.10%
	2023-24 5.10%
	2024-25 5.00%
	2025-26 5.00%
	2026-27 4.90%
	2027-28 4.90%
	2028-29 4.80%
	2029-30 4.80%
	2030-39 4.80%
	2040-49 4.90%
	2050-59 4.90%
	2060-69 4.80%
	2070-73 4.20%
	After 2074 4.00%
Dental Cost Trend	4.00%
Vision Cost Trend	4.00%

The H.R. 1865 Further Consolidated Appropriations Act, 2020 became law on December 20, 2019. This act repeals the excise tax for high cost or “Cadillac” health plans completely and removes the Health Insurer Fee permanently beginning in 2021. Accordingly, the excise tax is not reflected.

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:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	40%
U.S. Fixed Income	43%
Treasury Inflation-Protected Securities (TIPS)	5%
Real Estate Investment Trusts (REITs)	8%
Commodities	4%
	<hr/>
Total	100%
	<hr/> <hr/>

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Discount Rate

The investment rate of return assumption used to measure the total OPEB liability was 5.75% as of June 30, 2021, a decrease in comparison to 6.25% from the prior 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 asset is equal to the long-term assumed rate of return, gross of administrative expenses.

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

The following presents First 5's proportionate share of the net OPEB asset of the County, calculated using the discount rate of 5.75%, as well as what First 5's proportionate share of the net OPEB asset 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:

	<u>1% Decrease</u> 4.75%	<u>Current Discount Rate</u> 5.75%	<u>1% Increase</u> 6.75%
Total OPEB liability	\$ 8,755,482	\$ 7,994,748	\$ 7,322,222
Fiduciary net position	8,297,831	8,297,831	8,297,831
Net OPEB liability/(asset)	457,651	(303,083)	(975,609)

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

The following presents First 5's proportionate share of the net OPEB asset 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 asset would be if it were calculated using trend rates that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 7,238,885	\$ 7,994,748	\$ 8,878,659
Fiduciary net position	8,297,831	8,297,831	8,297,831
Net OPEB liability/(asset)	(1,058,946)	(303,083)	580,828

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 asset as of June 30, 2021, are presented below. First 5's proportionate share was 0.40%.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)OPEB Plan Fiduciary Net Position (Continued)

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020	\$ 110,328	\$ 94,281	\$ 16,047
Changes for the year:			
Service cost	273,194	-	273,194
Interest of total OPEB liability	502,827	-	502,827
Effect of economic/demographic gains or losses	(487,652)	-	(487,652)
Effect of assumptions changes or inputs	156,432	-	156,432
Benefit payments	(437,561)	(437,561)	-
Employer contributions	-	561,261	(561,261)
Net investment income	-	1,352,116	(1,352,116)
Administrative expenses	-	(3,719)	3,719
Change in employer's proportionate share	7,877,180	6,731,453	1,145,727
Net changes	7,884,420	8,203,550	(319,130)
Balance at June 30, 2021	\$ 7,994,748	\$ 8,297,831	\$ (303,083)

Payable to the OPEB Plan

At June 30, 2022, First 5 has paid all contributions to the OPEB plan required for the year ended June 30, 2022.

**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 Board of Commissioners. 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 Board of Commissioners or (2) a body (for example, a budget or finance committee) or official to which First 5's Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes.

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.

**NOTE 10 – FUND BALANCE** (Continued)

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

<b>Committed</b>	
Contracts and amendments to executed contracts:	
Grantees	\$ 5,111,374
Others	410,464
<b>Assigned</b>	<u>7,553,497</u>
Total	<u><u>\$ 13,075,335</u></u>

**NOTE 11 – REVENUES**

Tobacco Tax and Other Funding

First 5 receives a proportionate share of Proposition 10 money from First 5 California 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 3-year grant.

Tobacco tax and other revenues are comprised of:

Proposition 10:	
Monthly Allocations	\$ 4,263,212
Surplus Money Investment Fund	2,711
Proposition 56	1,429,750
Home Visiting Grant	41,569
Impact Grant	<u>332,418</u>
Total	<u><u>\$ 6,069,660</u></u>

Other Grants

Other grants are comprised of:

Help Me Grow Grant	\$ 19,804
Help Me Grow Call Center Grant	50,000
Home Visiting Grant	21,477
Impact HUB Grant	107,246
ACES Aware Grant	14,577
Special Needs Grant	280,370
Mental Health Services Act – Proposition 63	96,579
Mental Health Grant	35,914
SMC Children Success Planning Project	16,306
Children Health Initiatives Refund	171,750
Wellness Grant	<u>1,048</u>
Total	<u><u>\$ 815,071</u></u>

**NOTE 11 – REVENUES** (Continued)

Investment Earnings (Losses)

Investment losses of \$374,852 for the year ended June 30, 2022, are comprised 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	\$ 125,290
Change in fair value of investments	<u>(500,142)</u>
Total	<u>\$ (374,852)</u>

**NOTE 12 – RETIREMENT BENEFITS**

Retirement benefits are comprised of:

First 5 retirement contribution	\$ 279,876
Pension expense (changes in net pension liability)	154,757
OPEB expense (changes in net OPEB liability/(asset))	(15,405)
OPEB adjustment	(77,697)
Other retirement benefits	<u>5,364</u>
Total	<u>\$ 346,895</u>

**NOTE 13 – CONTRIBUTIONS TO LOCAL PROJECTS**

Starting in fiscal year 2009-2010, First 5 awarded \$20,167,000 in Cycle One funding to local projects. Cycle One had a three-year term from fiscal year 2009-2010 to fiscal year 2011-2012. First 5 awarded \$26,188,072 in Cycle Two funding to local projects. Cycle Two had a three-year term from fiscal year 2011-2012 to fiscal year 2013-2014 and had been extended through December 31, 2015. First 5 awarded \$30,791,717 in Cycle Three funding to local projects. Cycle Three had a five-year term from fiscal year 2015-2016 to fiscal year 2019-2020 and has been extended through December 31, 2021.

First 5 allocated \$18,900,000 in funding for Cycle Four investments, as per First 5's 2020-2025 Strategic plan. Cycle Four funding comprises two funding periods, fiscal year 2020-2023 and fiscal year 2023-2025. First 5 awarded \$9,948,853 in fiscal year 2020-2023 of Cycle Four funding to local projects. Due to delayed local project executions as the impacts of the pandemic, during fiscal year 2020-2021, First 5 extended Cycle Three funding projects and implemented Cycle Four projects simultaneously.

Grant contributions for the year ended June 30, 2022, include:

Cycle Three Funding:

Contractors:

Learning for Action (Trauma Resiliency - Informed Systems Initiatives)	<u>\$ 2,146</u>
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Cycle Three Funding Total	<u>\$ 2,146</u>
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Cycle Four Funding:

4Cs (Parents at The Table)	\$ 3,180
4Cs (Staffing for Build Up Kids)	140,790
ABILITYPATH (Integrated Systems for Children with Special Needs)	941,957

**NOTE 13 – CONTRIBUTIONS TO LOCAL PROJECTS (Continued)**

Cycle Four Funding (Continued):

CORA (The Family Resilience Project)	322,231
Family Connections (Thriving Families Project)	200,000
Institute for Human & Social Development, Inc. (Family Engagement Unity Project)	43,166
Peninsula Family Services (Therapeutic Child Development Centers)	160,000
Puente de la Costa Sur (Suenos Unidos Parent Participatory Preschool)	92,626
Ravenswood Family Health Center - South (Oral Health Services)	119,543
San Mateo County Office of Education (EQ+IP)	955,442
San Mateo County Office of Education (Family Eng. System Support)	72,101
San Mateo County Office of Education (IMPACT)	294,309
San Mateo County Office of Education (IMPACT HUB 4)	105,307
Sonrias Dental Health, Inc (Early Childhood Oral Health Programming)	69,438
Star Vista (Early Childhood Services - Healthy Homes)	185,920
Contractors:	
Cheryl Oku (Help Me Grow Consultation Services)	82,925
Children Now (Improve Access to Oral Health)	14,863
Easy Bay Agency for Children (Trauma & Resiliency - Informed Systems Initiatives)	38,240
Easy Bay Agency for Children (Trauma & Resiliency - Informed Systems Initiatives Organizational Coaching)	8,530
Hamai Consulting (Home Visiting Environmental Scan Facilitation)	36,146
Hamai Consulting (Trauma & Resiliency - Informed Systems Initiatives)	63,804
Hamai Consulting (Home Visiting Environmental Scan)	18,000
Persimmony International (Online Grant Mgt System)	87,287
Viva Social Impact (Communication Consultation)	129,077
Viva Social Impact (SMC Children Success Planning Project)	21,609
Other	35,819
	<hr/>
Cycle Four Funding Total	<u>\$ 4,242,310</u>
	<hr/>
Total	<u>\$ 4,244,456</u>

**NOTE 14 – GRANT COMMITMENTS**

First 5's commitments to grantees as of June 30, 2022, were as follows:

Cycle Three Funding	\$ 4,332
Cycle Four Funding	<u>5,517,506</u>
	<hr/>
Total	<u>\$ 5,521,838</u>

**NOTE 15 – PROGRAM EVALUATION**

First 5 spent \$190,111 on program evaluation during the year ended June 30, 2022.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

The required composition of the Board of Commissioners includes members from the County and other local governments, the San Mateo County Superintendent of Schools, and community based organizations which serve children ages 0-5.

First 5 and San Mateo County Behavioral Health and Recovery Services Department have jointly funded the Trauma & Resiliency Informed System Initiatives program through Proposition 63 Mental Health Services Act Prevention and First 5's strategic plan.

Expenditures of leverage funding grant awards from County of San Mateo Departments to First 5 for the year ended June 30, 2022, were as follows:

San Mateo County Behavioral Health and Recovery Services Department	<u>\$ 96,579</u>
Total	<u><u>\$ 96,579</u></u>

**NOTE 17 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2022, expenditures exceeded appropriations in the First 5's fund categories as follows which was due to the implementation of GASB Statement No. 87, *Leases*, to record the right-of-use asset lease of \$368,811 offset by \$85,110 in amortization:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Services and Supplies	\$ 250,079

**NOTE 18 – SUBSEQUENT EVENTS**

First 5 has evaluated subsequent events through October 11, 2022, the date which the financial statements were available to be issued. There were no subsequent events to disclose.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 SAN MATEO COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues:				
Tobacco tax	\$ 5,608,000	\$ 5,726,000	\$ 6,069,660	\$ 343,660
Investment interest	96,000	96,000	125,290	29,290
Other grants	<u>556,000</u>	<u>882,025</u>	<u>815,071</u>	<u>(66,954)</u>
Total revenues	<u>6,260,000</u>	<u>6,704,025</u>	<u>7,010,021</u>	<u>305,996</u>
Expenditures:				
Salaries and benefits	1,664,659	1,664,659	1,482,217	182,442
Services and supplies	412,600	404,600	654,679	(250,079)
Contributions to local projects	<u>5,862,000</u>	<u>6,352,424</u>	<u>4,244,456</u>	<u>2,107,968</u>
Total expenditures	<u>7,939,259</u>	<u>8,421,683</u>	<u>6,381,352</u>	<u>2,040,331</u>
Net change in fund balance	<u>\$ (1,679,259)</u>	<u>\$ (1,717,658)</u>	628,669	<u>\$ 2,346,327</u>
Fund balance, beginning of year			<u>12,844,713</u>	
Fund balance, end of year			<u>\$ 13,473,382</u>	
Budget to GAAP reconciliation:				
Actual revenue on a budgetary basis			\$ 7,010,021	
Differences - budget to GAAP				
For budgetary purposes, investment earnings do not include unrealized gains/(losses) on investments			<u>(500,142)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance			<u>\$ 6,509,879</u>	

**FIRST 5 SAN MATEO COUNTY  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
First 5's proportion of the collective net pension liability	0.12%	0.12%	0.12%	0.12%
First 5's proportionate share of the collective net pension liability	\$ 285,978	\$ 1,155,541	\$ 835,370	\$ 606,419
First 5's covered payroll*	894,380	928,408	866,146	806,833
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	31.97%	124.46%	96.45%	75.16%
Plan fiduciary net position as a percentage of the total pension liability	98.23%	84.46%	88.46%	89.96%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
First 5's proportion of the collective net pension liability	0.11%	0.11%	0.11%	0.10%
First 5's proportionate share of the collective net pension liability	\$ 663,743	\$ 770,981	\$ 516,749	\$ 409,823
First 5's covered payroll*	808,645	756,154	598,404	623,983
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	82.08%	101.96%	86.35%	65.68%
Plan fiduciary net position as a percentage of the total pension liability	87.49%	83.25%	87.53%	88.88%

The schedule presents 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 GASB Statement No. 82, covered 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  
SCHEDULE OF FIRST 5'S CONTRIBUTIONS – PENSION PLAN  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 279,876	\$ 268,432	\$ 235,766	\$ 228,829
Contributions in relation to the contractually required contribution	<u>279,876</u>	<u>268,432</u>	<u>235,766</u>	<u>228,829</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll*	\$ 900,918	\$ 894,380	\$ 928,408	\$ 866,146
Contributions as a percentage of covered payroll	31.07%	30.01%	25.39%	26.42%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 198,644	\$ 176,870	\$ 182,614	\$ 170,517	\$ 204,061
Contributions in relation to the contractually required contribution	<u>198,644</u>	<u>176,870</u>	<u>182,614</u>	<u>170,517</u>	<u>204,061</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll*	\$ 806,833	\$ 808,645	\$ 756,154	\$ 598,404	\$ 623,983
Contributions as a percentage of covered payroll	24.62%	21.87%	24.15%	28.50%	32.70%

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

\*In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based for the fiscal year in which the expenditure was incurred. Thus, these amounts may be different than shown in fiscal year ended 2016 and earlier reports.

**FIRST 5 SAN MATEO COUNTY  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
First 5's proportion of the collective net OPEB liability/(asset)	0.40%	0.40%	0.38%	0.14%	0.14%
First 5's proportionate share of the collective net OPEB liability/(asset)	\$ (303,083)	\$ 16,047	\$ 171,704	\$ 145,618	\$ 126,906
First 5's covered payroll	894,380	928,408	866,146	806,833	808,645
First 5's proportionate share of the collective net OPEB liability/(asset) as a percentage of covered payroll	-33.89%	1.73%	19.82%	18.05%	15.69%
Plan fiduciary net position as a percentage of the total OPEB liability	103.79%	85.46%	77.47%	74.59%	75.76%

The schedule presents information to illustrate changes in First 5's proportionate share of the net other postemployment benefits (OPEB) liability/(asset) over a ten year period when the information is available.

**FIRST 5 SAN MATEO COUNTY  
SCHEDULE OF FIRST 5'S CONTRIBUTIONS – OPEB  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 105,697	\$ 115,537	\$ 107,097	\$ 41,808	\$ 42,808
Contributions in relation to the actuarially determined contribution	<u>105,697</u>	<u>115,537</u>	<u>107,097</u>	<u>41,808</u>	<u>42,808</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll*	\$ 900,918	\$ 894,380	\$ 928,408	\$ 866,146	\$ 806,833
Contributions as a percentage of covered payroll	11.73%	12.92%	11.54%	4.83%	5.31%

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

\*Covered payroll is the payroll on which contributions are based for the fiscal year in which the expenditure was incurred.

**FIRST 5 SAN MATEO COUNTY**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 273,194	\$ 4,480	\$ 59,957	\$ 22,343	\$ 23,857
Interest on total OPEB liability	502,827	7,505	103,589	36,012	40,073
Effect of economic/demographic gains or losses	(487,652)	(386)	(753)	6,033	(22,665)
Effect of assumptions changes or inputs	156,432	(9,187)	2,007	13,628	(73,676)
Benefit payments	(437,561)	(6,036)	(84,336)	(28,646)	(30,731)
Change in employers' proportionate share	7,877,180	(648,309)	108,877	-	-
Net change in total OPEB liability	7,884,420	(651,933)	189,341	49,370	(63,142)
Total OPEB liability, beginning	110,328	762,261	572,920	523,550	586,692
Total OPEB liability, ending (a)	<u>\$ 7,994,748</u>	<u>\$ 110,328</u>	<u>\$ 762,261</u>	<u>\$ 572,920</u>	<u>\$ 523,550</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 561,261	\$ 7,622	\$ 110,715	\$ 35,360	\$ 42,808
Net investment income	1,352,116	4,456	80,395	24,148	26,522
Benefit payments	(437,561)	(6,036)	(84,336)	(28,646)	(30,731)
Administrative expenses	(3,719)	(44)	(563)	(204)	(178)
Change in employers' proportionate share	6,731,453	(502,274)	57,044	-	-
Net change in plan fiduciary net position	8,203,550	(496,276)	163,255	30,658	38,421
Plan fiduciary net position, beginning	94,281	590,557	427,302	396,644	358,223
Plan fiduciary net position, ending (b)	<u>\$ 8,297,831</u>	<u>\$ 94,281</u>	<u>\$ 590,557</u>	<u>\$ 427,302</u>	<u>\$ 396,644</u>
Net OPEB liability/(asset) (a)-(b)	<u>\$ (303,083)</u>	<u>\$ 16,047</u>	<u>\$ 171,704</u>	<u>\$ 145,618</u>	<u>\$ 126,906</u>
Plan fiduciary net position as a percentage of the total OPEB liability	103.79%	85.46%	77.47%	74.58%	75.76%
Covered payroll	\$ 894,380	\$ 928,408	\$ 866,146	\$ 806,833	\$ 808,645
Net OPEB liability/(asset) as a percentage of covered payroll	-33.89%	1.73%	19.82%	18.05%	15.69%

The schedule presents information to illustrate changes in First 5's changes in the net OPEB liability/(asset) over a ten year period when the information is available.

## **COMPLIANCE SECTION**

**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 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 the First 5 San Mateo County (First 5), a discretely presented component unit of the County of San Mateo, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise First 5's basic financial statements, and have issued our report thereon dated October 11, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered First 5'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 First 5's internal control. Accordingly, we do not express an opinion on the effectiveness of First 5'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 First 5'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'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 First 5's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First 5's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
October 11, 2022

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### **Report on Compliance**

#### **Opinion**

We have audited the First 5 San Mateo County's (First 5) 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's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, First 5 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 First 5 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 First 5'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.

#### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the First 5'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 First 5'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 First 5'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 First 5'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 First 5's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the First 5's compliance with the state laws and regulations applicable to the following items:

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

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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
October 11, 2022