FIRST 5 SAN MATEO COUNTY COMMISSION (F5SMC)
FINANCE AND ADMINISTRATION COMMITTEE MEETING

Monday, October 21, 2024
9:00 am to 10:00 a.m.

First 5 San Mateo County Office Building
1700 S. El Camino Real, 1st Floor – Miller Ream
San Mateo, CA 94402

COMMISSION MEMBERS: Sylvia Espinoza (Chair), Claire Cunningham, Carla Boragno

STAFF: Kitty Lopez, Khanh Chau

AGENDA

	Item	
1.	**Approval of the Finance and Administration Committee Agenda**	Espinoza
2.	**Approval of the June 10, 2024 Finance and Administration Committee Meeting Minutes** *(See Attachment 2)*	Espinoza
3.	**Action: Review and Recommendation of FY 2023-2024 Budget Close Out** *(See Attachment 3, 3A, 3B, 3C)*	Lopez / Chau
4.	**Action: Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2024 Audit Report and Its Submission to First 5 California and to California State's Controller Office** *(See Attachments 4, 4A, 4B)*	Lopez / Chau
	Next Finance and Administration Committee Meeting February 10, 2025	

FIRST 5 SAN MATEO COUNTY

Attachment 2

FIRST 5 SAN MATEO COUNTY
FINANCE AND ADMINISTRATION COMMITTEE
MEETING MINUTES

June 10, 2024

- Commission Member: Claire Cunningham, Sylvia Espinoza
- Staff: Kitty Lopez, Khanh Chau
- Minutes: Khanh Chau

Commissioner Carla Boragno was absent

.

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

A Motion for Approval of the June 10, 2024, Finance and Administration Committee Meeting Agenda was made by Commissioner Cunningham, seconded by Commissioner Espinoza. Unanimously approved.

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

A Motion for Approval of the May 13, 2024, Finance and Administration Committee Meeting Minutes was made by Commissioner Cunningham, seconded by Commissioner Espinoza. Unanimously approved.

3. **Review and Recommend Approval of First 5 San Mateo County's Long-Term Financial Plan (LTFP) FY 2024-30 (FY23/24 Update)**

Kitty Lopez stated that F5SMC Commissions have opportunity to review and approve the updated F5SMC's Long-Term Financial Plan (LTFP) every fiscal year for state compliance requirements.

Kitty Lopez cited LTFP key highlights included 31% projected reductions in strategic planning implementation plan (SPIP) investments during period FY2025-30 with equal community investment funding in each fiscal year; and 18% projected reductions in operating budget with major rent reduction to $50K annually during the same period.

Committee members asked how the LTFP being updated, the Other Grants' admin cost and indirect cost rate. Staff responded that LTFP was updated with (1) the most recent Tobacco Tax Revenue projections in January 2024; (2) FY2022-23 Actual based on the audited financial information; (3) FY 2023-24 Revised Budget; (4) FY 2024-25 adopted budget that was approved last May 2024; (5) revenue projections based on historical trends; and (6) strategic planning implementation plan (SPIP) funding allocations approved by Commission. Staff also responded that we currently get approximately 10% combined admin and indirect cost rates from Other Grants. Committee members commented that the combined admin and indirect cost rate of 10% was quite low. Commissioner Cunningham remarked, for example, that the HSA staff team is currently looking to increase their combined admin and indirect cost rates from 10% to 20% in the leverage and other grant funding category; and cited that shared office space and shared desk model has been proven workable and efficient in rent cost reduction.

Committee members also asked if COLA is included in salaries and benefits. Staff responded that 4% COLA is projected annually in the updated LTFP.

Committee members reviewed and endorsed the approval of LTFP.

A Motion for Approval of First 5 San Mateo County's Long-Term Financial Plan (LTFP) FY 2024-30 (FY23/24 Update) was made by Commissioner Cunningham, seconded by Commissioner Espinoza. Unanimously approved.

Commissioner Espinoza adjourned the meeting at 9:35 AM.

Attachment 3

DATE: October 21, 2024

TO: First 5 San Mateo County Finance and Administration Committee

FROM: Kitty Lopez, Executive Director

RE: Review and Recommend Approval of F5SMC FY 2023-24 Budget Close-Out as of June 30, 2024

ACTION REQUESTED

Review and Recommend Approval of F5SMC FY 2023-24 Budget Close-Out as of June 30, 2024

BACKGROUND

- At the May 22, 2023 Commission Meeting, Commission approved F5SMC FY 2023-24 Budget.
- At the February 26, 2024 Commission Meeting, Commission approved F5SMC FY 2023-24 Revised Budget.
- Please read this Budget Close Out Memo in conjunction with Attachments 3A, 3B, and 3C.

ECONOMIC FACTORS AND CURRENT YEAR BUDGET

First 5 executed two phases of the current Strategic Plan Implementation Plan (SPIP) FY 2020-2025 and Other Grant fundings that worked in parallel with each other during the fiscal year. Phase Two of the current SPIP is a 2-year funding cycle FY 2023-25 whereas Phase One of the current strategic plan was a 3-year funding cycle FY 2020-23. Agency continues to utilize leverage funding in new grant funding acquisitions.

Post Pandemic, First 5 San Mateo County and funded partners are diligently assessing and implementing the new "normal" service delivery as virtual supports have been effective; hybrid models are increasingly being utilized and in-person services are preferred and needed for some sectors.

Fiscal year 2023-2024 is the 1st year of Phase Two of the current SPIP with new contracting and procurement as the new funding cycle begins; most of Investment Strategies have been rolled out with emerging efforts in Policy Advocacy, Communication, System Changes and Health.

Approximately 21% 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 leveraged funding 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. The Baby Bonus Project design and planning implementation launched in January 2024, is a four-year guaranteed basic income demonstration project primarily funded through philanthropic grants, Health Plan San Mateo and SMC Health to support implementation; The Baby Bonus project will represent a significant budget contribution to the Other Grants budget allocation over the course of the project.

Grantees, Community Based Organizations, and families with young children continue to experience several challenges in the post pandemic era and economic recovery including workforce burnout, workforce capacity and increased mental health needs of children and families. Shifts in workforce capacity, staffing and retention rates across all sectors (grantees) supporting young children and families are a continuing concern. The "Great Resignation" is real and coupled with the very high cost of living in the Bay Area (San Mateo County specifically) some low wage and professional 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 and increased workload. We are learning from parents of young children and providers of the increased need for a range of early mental health services underlying the need for a robust workforce.

Agency delivers approximately 72% of fiscal year budget; we honor our great achievements in the fiscal year due to the continuation of the important work, programs, and services that positively impact in the community. Given the pandemic recovery experiences previously and the implementation of 3-tier robust fiscal budget – Phase Two of current strategic plan FY2023-2025, Phase One of current strategic plan FY2020-2023, and Other Grant executions, the performance budget reading at 72% 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 2023-24 BUDGET CLOSE-OUT as of June 30, 2024 SUMMARY

	FY 2023-24 Revised Budget	**FY 2023-24 Budget Closeout**	**FY23-24 Budget Closeout (+/-) vs. FY23-24 Revised Budget (%)**	**Notes to the FY 2023-24 Budget Closeout**
Beginning Fund Balance (Beginning Reserves*)	13,335,535	13,335,535	100%	
Total Revenues	6,344,478	6,001,740	95%	Delay execution of the Children Youth Behavior Initiative Grant as agency won the grant award in second half (H2) of the fiscal year. .
Total Available Fund (Total Sources*)	19,680,013	19,337,275	98%	
Total Appropriations (Net Appropriations*)	8,157,301	5,863,346	72%	Delay Other Grant executions in TRISI and Children Youth Behavior Initiatives in H2 and underspending in administrative areas.
Ending Fund Balance (Ending Reserves*)	11,522,712	13,473,928	117%	Higher Interest Revenue and Tobacco Tax Revenue, underspending in Program Appropriations due to delayed executions of various Other Grants and underspending in various administrative areas.
Total Requirements*(Net Appropriations*+Ending Reserves*)	19,680,013	19,337,275	98%	
Surplus / (Deficit) (Total Revenues – Net Appropriations*)	(1,812,823)	138,393	-8%	

Attachment 3

FY 2023-24 BUDGET CLOSE-OUT as of June 30, 2024 HIGHLIGHTS

The FY 2023-24 Budget Close-Out as of June 30, 2024 is presented in details in **Attachment 3A, 3B,** and **3C** with key highlights presented in the table below:

FY 2023-24 BUDGET CLOSE-OUT HIGHLIGHTS *(July 1, 2023 – June 30, 2024)*	
REVENUE	• Interest Revenue of $501K produces a net 43% positive variance or $151K higher than the planned budget due to higher interest earning rate in the County investment pool. • Tobacco Tax Revenue of $4.423 M produces a net 3% positive variance or $144K higher than the planned budget. • F5 San Benito Impact Legacy Grant, Impact Hub grant, and Home Visiting grant revenues totaling $487K is 5% lower than the planned grant budgets. • Additional Other Grant revenues totaling $591K which is 51% below the planned grant budget due to agency receiving new grant award Children and Youth Behavior Health Initiatives in the second half of the fiscal year and slow implementation of TRISI Other Grant. • The Baby Bonus program is in design, planning, and funding acquisition stages. The program has won various funding sources from public and private organizations. • **Total Actual Revenue of $6.002M is approximately 5% or $344K below the planned budget as the net effects of higher Interest Revenue and Tobacco Tax Revenue offset lower Other Grant executions.**
EXPENDITURES	• Total Program Expenditures of $5.119M produce a net 30% positive variance or $2.211M underspend. Major contributions to this positive variance are associated with lower Other Grant executions in TRISI and Children Youth Behavior Initiatives in the second half of the fiscal year. • Total Administrative Expenditures of $744K produce a net 10% positive variance or $83K below the planned budget. Major contributions to this positive variance are associated with underspending in various administrative areas due to staff working in a hybrid format and staff under medical leave. • **Total Expenditures of $5.863M produce a net 28% positive variance or $2.293M underspend. Major contributions to this positive variance are associated with lower Other Grant executions in TRISI and Children Youth Behavior Initiatives in the second half of the fiscal year and underspending in various administrative areas.**
ENDING FUND BALANCE	• **FY 2023-24 Budget Closeout Ending Fund Balance of $13.473M represents 17% positive variance or $1.951M higher than the Ending Fund Balance of the revised budget.** • **Major contributions to this positive variance are associated with higher Interest Revenue and Tobacco Tax Revenue, delayed executions of various Other Grants and underspending in some administrative areas.**

FISCAL IMPACT

- Admin Cost rate of 13% is within the Commission's approved Admin Cost Rate Policy of 15%.

ACTION REQUESTED

Attachment 3

Review and Recommend Approval of F5SMC FY 2023-24 Budget Close-Out as of June 30, 2024.

FIRST 5 SAN MATEO COUNTY **FY 2023-24 BUDGET CLOSEOUT SUMMARY**

	FY23-24 Revised Budget	FY23-24 Budget CloseOut	FY23-24 Budget CloseOut (+/-) vs. FY23-24 Revised Budget (%)
BEGINNING FUND BALANCE (Beginning Reserves*)	**13,335,535**	**13,335,535**	100%
A. Interest Revenue	**350,000**	**500,698**	143%
B. Tobacco Tax Revenue	**4,279,017**	**4,422,571**	103%
Tobacco Tax Revenue Fiscal Year Allocations	4,279,017	4,422,571	103%
C. Other Grant Revenues	**1,715,461**	**1,078,471**	63%
F5 San Benito - IMPACT Legacy and IMPACT HUB Grants; Home Visiting Grant	509,161	487,332	96%
Non-Tobacco Tax Grants (PHD, SHD, MHSA, Baby Bonus Program)	1,206,300	591,138	49%
TOTAL REVENUES	**6,344,478**	**6,001,740**	95%
TOTAL AVAILABLE FUND (Total Sources*)	**19,680,013**	**19,337,275**	98%
PROGRAM APPROPRIATIONS			
D1. Strategic Plan Investment - SPIP FY 23-25	**3,780,000**	**2,894,897**	77%
Community Investments (RF, HC, QC & E)	3,180,000	2,579,643	81%
Evaluation	113,000	57,819	51%
Policy, Advocacy, & Communications (PAC) & Emerging Projects	487,000	257,434	53%
D2. Strategic Plan Investment - SPIP FY 20-23 - Carry Over	**900,000**	**256,355**	28%
Community Investments - Healthy Children	250,000	27,950	11%
Evaluation	180,000	118,500	66%
Policy, Advocacy, & Communications (PAC) & Emerging Projects	470,000	109,905	23%
E. Other Grants	**1,326,778**	**823,717**	62%
F5 San Benito - IMPACT Legacy and IMPACT HUB Grants; Home Visiting Grant	398,192	395,594	99%
Non-Tobacco Tax Grants (PHD, SHD, MHSA, Baby Bonus Program)	928,586	428,123	46%
F. Program Operations	**1,322,587**	**1,143,492**	86%
Program Shared Operating Budget	223,317	175,952	79%
Program Staff S&B & Shared Admin Staff Time	900,878	779,288	87%
Evaluation Staff S&B	198,392	188,251	95%
Total Program Appropriations (D1+D2+E+F)	**7,329,365**	**5,118,461**	70%
ADMIN APPROPRIATIONS			
G. Admin Shared Operating Budget	223,318	175,952	79%
H. Admin Staff S&B	604,617	568,933	94%
Total Admin Appropriations (G+H)	**827,935**	**744,886**	90%
TOTAL APPROPRIATIONS (Net Appropriations*)	**8,157,301**	**5,863,346**	72%
Surplus / (Deficit) (Total Revenues - Total Appropriations)	-1,812,823	138,393	-8%
ENDING FUND BALANCE	**11,522,712**	**13,473,928**	117%
Total S&B	**1,703,887**	**1,536,473**	90%

Attachement 3B

FIRST 5 SAN MATEO COUNTY **FY 2023-24 BUDGET CLOSEOUT DETAILS**

	ORG/ACCT#	FY23-24 Revised Budget	FY23-24 Budget CloseOut	FY23-24 Budget CloseOut (+/-) vs. FY23-24 Revised Budget (%)	Notes to FY2023-24 Budget CloseOut
BEGINNING FUND BALANCE (Beginning Reserves*)		**13,335,535**	**13,335,535**	100%	
A. Interest Revenue	19510-1521	**350,000**	**500,698**	143%	Higher interest earning rate
B. Tobacco Tax Revenue		**4,279,017**	**4,422,571**	103%	
Tobacco Tax Revenue Fiscal Year Allocations	19510-1861	4,279,017	4,422,571	103%	
C. Other Grant Revenues		**1,715,461**	**1,078,471**	63%	
F5 San Benito IMPACT LEGACY Grant FY23-25	19510-2643	360,672	355,412	99%	
F5 San Benito Regonal Home Visitng Grant FY23-25	19510-2643	92,000	75,439	82%	
F5 San Benito IMPACT HUB TA FY23-25	19510-2643	56,489	56,481	100%	
County of San Mateo BHRS - Mental Health Services MHSA #3 FY23-25	19510-2643	150,000	46,795	31%	
Peninsula Healthcare District - Help Me Grow SMC CY2023	19510-2643	37,200	45,000	121%	
Peninsula Healthcare District - Help Me Grow SMC CY2024	19510-2643	60,000		0%	$60K unearned revenue.
Sequoia Healthcare District - Special Needs Grant FY23-25	19510-2643	461,700	304,424	66%	
Sequoia Healthcare District - Mental Health Grant FY23-25	19510-2643	134,400	33,251	25%	
Children and Youth Behavior Health Initatives - Round 2	19510-2643	250,000	28,590	11%	$421K unearned revenue;
SMCOE - Children Success Planning Project	19510-2643		1,269		$6,799 is uneared revenue
SMC CEO - Children Success Planning Project	19510-2643		1,269		$6,799 is uneared revenue
SMC Health, Family Health Services - Baby Bonus Program**	19510-2647	84,000	83,936	100%	WOC Communtiy Health Planner
Sobrato Family Foundation - Baby Bonus Program	19510-2647				$100K unearned revenue
F5SMC Wellness Grant	19510-2658		1,072		
Miscellaneous Revenue - SDI	19510-2645	29,000	45,531	157%	State Disability Insurance reimbursement
TOTAL REVENUES		**6,344,478**	**6,001,740**	95%	
TOTAL AVAILABLE FUNDS (TOTAL SOURCES*)		**19,680,013**	**19,337,275**	98%	Neutral variances associated with net affects of higher Interest Revenue and lower Other Grants execution of TRISI programs.
APPROPRIATIONS					
PROGRAM APPROPRIATIONS					
D1. Strategic Plan Investment - SPIP FY 23-25		**3,780,000**	**2,894,897**	77%	Anticipate spend down of this line in FY 24-25.
Resilent Family	19540-6125	1,060,000	1,001,122	94%	
Healthy Children	19540-6156	1,060,000	731,644	69%	Leveraged funding for health initiatives are utilized first
Quality Care and Education	19540-6263	1,060,000	846,877	80%	
Grant Management and Other Evaluation Projects	19540-6265	113,000	57,819	51%	Anticipate spend down of this line in FY 24-25.
Policy Advocacy, Communications & Systems Change	19540-6814	380,000	257,434	68%	Anticipate spend down of this line in FY 24-25.
Emerging Projects	19540-6814	107,000	0	0%	Activities related to strategic planning 2025 - 2030 learnings, communications campaign, Baby Bonus and other evaluation & research.
D2. Strategic Plan Investment - SPIP FY 20-23 Carry-Over		**900,000**	**256,355**	28%	Implementation of SPIP FY20-23 Fund Carry Over in coordiantion with SPIP FY23-25 in 2 year time frame.
Healthy Children	19540-6156	250,000	27,950	11%	Leveraged funding for health initiatives are utilized first
Grant Management and Other Evaluation Projects	19540-6265	180,000	118,500	66%	Anticipate spend down of this line in FY 24-25.
Policy Advocacy, Communications & Systems Change	19540-6814	150,000	88,117	59%	Anticipate spend down of this line in FY 24-25.
Emerging Projects	19540-6814	320,000	21,788	7%	Emerging projects: , Baby Bonus.
E. Other Grants		**1,326,778**	**823,717**	62%	Anticipate spend down of this line item in FY 24-25.
F5 San Benito IMPACT LEGACY Grant FY23-25	19540-6126	290,672	288,286	99%	
F5 San Benito Regonal Home Visitng Grant FY23-25	19540-6126	54,000	53,520	99%	
F5 San Benito IMPACT HUB TA FY23-25	19540-6126	53,520	53,788	101%	
County of San Mateo BHRS - Mental Health Services MHSA #3 FY23-25	19540-6131	106,250	10,049	9%	Anticipate spend down of this line item in FY 24-25. Slower implementation in TRISI.
Peninsula Healthcare District - Help Me Grow SMC CY2023	19540-6131	40,000	37,200	93%	
Sequoia Healthcare District - Special Needs Grant FY23-25	19540-6131	400,000	282,584	71%	
Sequoia Healthcare District - Mental Health Grant FY23-25	19540-6131	32,200	8,596	27%	Anticipate spend down of this line item in FY 24-25. Slower implementation in TRISI.
Children and Youth Behavior Health Initatives - Round 2	19540-6131	250,000	2,815	1%	Grant execution will be accelerated in FY24-25.
SMC CEO - Children Success Planning Project	19540-6131	8,068	1,269	16%	
SMCOE- Children Success Planning Project	19540-6131	8,068	1,269	16%	
Baby Bonus Program	19540-6135		405		

	ORG/ACCT#	FY23-24 Revised Budget	FY23-24 Budget CloseOut	FY23-24 Budget CloseOut (+/-) vs. FY23-24 Revised Budget (%)	Notes to FY2023-24 Budget CloseOut
SMC Health, Family Health Services Baby Bonus Dividend Program	Salaries & Benefits	84,000	83,936	100%	Community Health Planner - WOC position - $84K paid under Schedule 2- Salaries and Benefits
F. Program Operations		**1,322,587**	**1,143,492**	86%	
Program Shared Operating Budget		223,317	175,952	79%	
Program Staff S&B & Shared Admin Staff Time		900,878	779,288	87%	Excluding WOC - Community Health Planner position for the Baby Bonus Dividend Program
Evaluation Staff S&B		198,392	188,251	95%	
Total Program Appropriations (D1+D2+D3+E+F)		**7,329,365**	**5,118,461**	70%	
ADMIN APPROPRIATIONS					
G. Admin Shared Operating Budget		223,318	175,952	79%	
H. Admin Staff S&B		604,617	568,933	94%	
Total Administrative Appropriations		**827,935**	**744,886**	90%	
Administrative Cost Rate %		**10%**	**13%**	125%	
TOTAL APPROPRIATIONS (NET APPROPRIATIONS*)		**8,157,301**	**5,863,346**	72%	
ENDING FUND BALANCE (ENDING RESERVES*)		**11,522,712**	**13,473,928**	117%	Positive variances due to undespending in both Program and Admin appropriations.

Color Coding

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

Schedule 1- FY 2023-24 OPERATING BUDGET CLOSEOUT

Attachment 3C

	ORG / ACCT#	FY23-24 Revised Budget	FY23-24 Budget CloseOut	FY23-24 Budget CloseOut (+/-) vs. FY23-24 Revised Budget (%)	Notes to FY2023-24 Budget CloseOut
I. Services and Supplies					
Outside Printing & Copy Svc	19510-5191	1,000		0%	
General Office Supplies	19510-5193	8,000	3,212	40%	
Photocopy Lease & Usage	19510-5196	5,000	1,094	22%	
Direct Communication Expenses	19510-5132	3,800	2,435	64%	
Computer Supplies	19510-5211	25,000	9,407	38%	Combine 5211 and 5212 Laptop replacements and emergency IT equipment
Software License /Maintenance Expenses	19510-5215	6,000	7,054	118%	Software & Other ISD subscriptions
County Memberships - (e.g. F5 Assn Dues)	19510-5331	15,000	12,570	84%	
Auto Allowance	19510-5712	11,000	10,842	99%	
Meetings & Conference Expense	19510-5721	8,000	5,104	64%	
Commissioners Meetings & Conference Exp	19510-5723	3,000	2,901	97%	
Other Business Travel Expense	19510-5724	8,000	5,833	73%	Combine 5713, 5714, 5717, 5722, 5724, 5927
Dept. Employee Training Expense	19510-5731	8,000	469	6%	
Wellness grant	19510-5856	0	998		
Other Professional Services	19510-5858	28,500	9,452	33%	inlcude Accounting Services fee
Sub Total - Services & Supplies		**130,300**	**71,372**	55%	
II. Other Charges					
Telephone Service Charges	19510-6712				ISD charges slit into 3 different codes 6713, 5215, 5132
Automation Services - ISD	19510-6713	45,000	35,771	79%	ISD charges slit into 3 different codes 6713, 5215, 5132
Annual Facilities Lease	19510-6716	99,000	97,613	99%	
General Liability Insurance	19510-6725	13,500	13,257	98%	
Official Bond Insurance	19510-6727	300	273	91%	
Human Resources Services	19510-6733	1,000	285	28%	
Countywide Security Services	19510-6738	950	594	63%	
All Other Service Charges	19510-6739	60,000	36,301	61%	include Audit, County Attorney fee
Card Key Services	19510-6751	1,000	854	85%	
A-87 Expense	19510-6821	95,585	95,585	100%	
Sub Total - Other Charges		**316,335**	**280,533**	89%	
Total Operating Budget		**446,635**	**351,905**	79%	
Program Shared Operating Budget		**223,317**	**175,952**	79%	Allocation rate 50%
Admin Shared Operating Budget		**223,317**	**175,952**	79%	Allocation rate 50%

Schedule 2 - FY 2023-24 SALARIES & BENEFITS BUDGET CLOSEOUT

Program Staff & Shared Admin Staff		900,878	779,288	87%	27% Admin staff time allocated to Program
Evaluation Staff		198,392	188,251	95%	
Admin Staff		604,617	568,933	94%	
F5SMC Salaries and Benefits		**$ 1,703,887**	**$ 1,536,473**	90%	Underspend due to staff under medical leave.

Color Coding

Shared Budget/Shared Cost

Revenue ; Fund Balance	
Appropriations	
Salaries & Benefits	

Attachment 4

Date: October 21, 2024

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, 2024 Audit Report and Its Submission to First 5 California and to California State's Controller Office

---

ACTION REQUESTED

Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2024 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, 2024 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, 2024 Audit Report (Attachment 4A) Summary of Independent Auditors' Report Outcomes are as following**:**

- Independent Auditors' Report on the Financial Statements (pages 1-3): 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 41-42): 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 43-45): 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.
- GASB No. 87, Leases to record the right of use asset lease office net amortization (audit report)
- GASB No. 96, Subscription-based Information Technology Arrangements
- GASB No. 100, Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62

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).

ACTION REQUESTED

Review and Recommend Approval of First 5 San Mateo County (F5SMC)'s Basic Financial Statements for the Year Ending June 30, 2024 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)

SUMMARY OF STATEMENT NO. 96 - Subscription-based Information Technology Arrangements

(ISSUED 05/20)

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

(https://gasb.org/page/pronouncement?pageId=/standards-and-guidance/pronouncements/summary-statement-no-96.html)

SUMMARY of STATEMENT NO. 100 - Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62

(ISSUED 06/22)

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

(https://gasb.org/page/pronouncement?pageId=/standards-and-guidance/pronouncements/summary-statement-100.html)

Attachment 4B

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, 2024

FIRST 5 SAN MATEO COUNTY
FOR THE YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

FINANCIAL SECTION

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 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, 2024, 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, 2024, 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 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 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.

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 95207
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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 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 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 Management's Discussion and Analysis and 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 2, 2024, 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 2, 2024

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, 2024. 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, 2024, First 5 contributed over $3.9 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, 2024, by $13,248,176 *(net position)*. This 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, 2024, was $13,803,405. Of this amount, $4,970,121 was committed for current executed grants and contracts and for contract amendments not yet executed (obligated); the remaining $8,833,284 was set aside for future programs, projects, and activities. All funding awards were in accordance with First 5's Strategic Plan and Long-Term Financial Plan.

- Contributions to local projects decreased by $830,600 or 17.59% 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.

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, 2024, First 5's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,248,176.

Net Position

	2024	2023	Change	%
Total assets	$ 15,752,282	$ 15,467,923	$ 284,359	1.8%
Total deferred outflows of resources	952,088	951,023	1,065	0.1%
Total current liabilities	1,854,732	1,822,125	32,607	1.8%
Total long-term liabilities	1,442,136	1,326,626	115,510	8.7%
Total deferred inflows of resources	159,326	205,763	(46,437)	-22.6%
Net position	13,248,176	13,064,432	183,744	1.4%

Fiscal Year 2024 Compared to Fiscal Year 2023

- At the end of fiscal year 2024, total assets increased by $284,359, 1.8%, when compared to fiscal year 2023. The increase was primarily due to an increase in cash.
- Total deferred outflows of resources increased by $1,065, 0.1%, due to a change in deferred pension and OPEB actuarial assumptions.
- Total liabilities increased by $32,607, 1.8%. The increase was mainly due to an increase in net pension liability.
- Total deferred inflows of resources decreased by $46,437, (22.6)%, due to a change in deferred pension and OPEB actuarial assumptions.
- Net position increased by $183,744, 1.4%. Net position is money received that is set aside for programs, projects, and activities to be conducted in the future according to a documented plan, budget, or financial forecast formally approved by First 5.

Changes in Net Position

	2024	2023	Change	%
Program revenues	$ 5,455,381	$ 6,495,666	$ (1,040,285)	-16.0%
General revenues (losses)	840,453	349,808	490,645	140.3%
Program expenses	(6,112,090)	(6,591,604)	479,514	-7.3%
Change in net position	183,744	253,870	(70,126)	-27.6%
Net position, beginning of year	13,064,432	12,810,562	253,870	2.0%
Net position, end of year	$ 13,248,176	$ 13,064,432	$ 183,744	1.4%

Fiscal Year 2024 Compared to Fiscal Year 2023

- Program revenues decreased by $1,040,285, (16)%, and general revenues increased by $490,645, 140.3%. The decrease in program revenues was primarily due to decreases in tobacco tax. The increase in general revenues was primarily due to higher investment returns in 2024.
- Program expenses decreased by $479,514, (7.3)%. The majority of the decrease was due to decreases in contributions to local projects.

Fund Financial Analysis

First 5 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of June 30, 2024, First 5 reported a fund balance of $13,803,405, an increase of $421,069, 3.15%, from the prior year. The increase was mainly due to a decrease in expenses. Of the total, $4,970,121 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 $109,861 (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 $124,385, compensated absences of $191,222, and net pension liability of $1,303,279. Refer to Note 7 Long-Term Liabilities.

Budgetary Highlights

First 5 operating budget for fiscal year 2023-2024 expenditures totaled $8.2 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 2024

First 5 executed two phases of the current strategic plan implementation plan (SPIP) FY 2020-2025 and Other Grant fundings that worked in parallel with each other during the fiscal year. Phase Two of the current strategic plan implementation plan is 2-year funding cycle FY 2023-25 whereas Phase One of the current strategic plan is 3-year funding cycle FY 2020-23 as agency continues to utilize leverage funding in new grant funding acquisitions.

Post Pandemic, First 5 and funded partners are diligently assessing and implementing the new “normal” service delivery as virtual supports have been effective; hybrid models are increasingly being utilized and in-person services are preferred and needed for some sectors.

Fiscal year 2023-2024 is the 1st year of Phase Two of the current strategic plan implementation plan with new contracting and procurement as the new funding cycle begins; most of Investment Strategies have been rolled out with emerging efforts in Policy Advocacy, Communication, System Changes and Health strategies.

Approximately 21% 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 leveraged funding within agency strategic plan implementation plan investment~~s~~ 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. The Baby Bonus Project design and planning implementation launched in January 2024, is a four year guaranteed basic income demonstration project primarily funded through philanthropic grants, Health Plan San Mateo and San Mateo County (SMC) Health to support implementation; The Baby Bonus project will represent a significant budget contribution to the Other Grants budget allocation over the course of the project.

Grantees, Community Based Organizations, and families with young children continue to experience several challenges in the post pandemic era and economic recovery including workforce burnout, workforce capacity and increased mental health needs of children and families. Shifts in workforce capacity, staffing and retention rates across all sectors (grantees) supporting young children and families are a continuing concern. The “Great Resignation” is real and coupled with the very high cost of living in the Bay Area (San Mateo County specifically) some low wage and professional sectors are experiencing repercussions. We also know from our TRISI work specifically and updates from our funded partners that many staff continue to be stressed, burned out, and overworked because of pandemic shifts. We are learning from parents of young children and providers of the increased need for a range of early mental health services underlying the need for a robust workforce.

Overall, even though agency delivers approximately 72% of fiscal year budget, we honor our great achievements in the fiscal year due to the continuation of the important work, programs, and services that positively impact in the community. Given the pandemic recovery experiences previously and the implementation of 3-tier robust fiscal budget – Phase Two of current strategic plan FY2023-2025, Phase One of current strategic plan FY2020-2023, and Other Grant executions, the performance budget reading at 72% can be considered a great achievement. First 5 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, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 14,317,699
Intergovernmental receivable, net	1,020,896
Interest receivable, net	142,792
Non-current assets:	
Net OPEB asset	161,034
Leased assets:	
Right-to-use - Building	368,811
Less accumulated amortization	(258,950)
Total leased assets net of amortization	109,861
Total assets	15,752,282
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pension	846,402
Deferred outflows of resources - OPEB	105,686
Total deferred outflows of resources	952,088
LIABILITIES	
Accounts payable	1,150,758
Salaries and benefits payable	32,215
Unearned revenue	495,009
Long-term liabilities due within one year:	
Lease liability	92,706
Compensated absences	84,044
Long-term liabilities due after one year:	
Lease liability	31,679
Net pension liability	1,303,279
Compensated absences	107,178
Total liabilities	3,296,868
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pension	662
Deferred inflows of resources - OPEB	158,664
Total deferred inflows of resources	159,326
NET POSITION	
Unrestricted	13,248,176
Total net position	$ 13,248,176

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, 2024

	Governmental Activities
Program expenses:	
Salaries and wages	$ 884,780
Employee benefits	262,176
Retirement benefits	718,989
General office supplies	47,192
Professional services	272,321
Other administrative expenses	35,600
Contributions to local projects	3,891,032
Total program expenses	6,112,090
Program revenues:	
Operating grants and contributions:	
Tobacco tax	4,422,571
Other grants	1,032,810
Total program revenues	5,455,381
Net program revenues	(656,709)
General revenues:	
Net investment earnings	794,922
Other revenue	45,531
Total general revenues	840,453
Change in net position	183,744
Net position, beginning of year	13,064,432
Net position, end of year	$ 13,248,176

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

FIRST 5 SAN MATEO COUNTY
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2024

ASSETS	
Cash and cash equivalents	$ 14,317,699
Intergovernmental receivable, net	1,020,896
Interest receivable, net	142,792
Total assets	$ 15,481,387
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 1,150,758
Salaries and benefits payable	32,215
Unearned revenue	495,009
Total liabilities	1,677,982
Fund balance:	
Committed	4,970,121
Assigned	8,833,284
Total fund balance	13,803,405
Total liabilities and fund balance	$ 15,481,387

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, 2024

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

Total Fund Balance - Governmental Fund	$ 13,803,405
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	109,861
Deferred outflows of resources	952,088
Net pension liability	(1,303,279)
Net OPEB asset	161,034
Deferred inflows of resources	(159,326)
Lease liability	(124,385)
Compensated absences	(191,222)
Net Position of Governmental Activities	$ 13,248,176

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, 2024

Revenues:	
Tobacco tax	$ 4,422,571
Net investment earnings	794,922
Other grants	1,032,810
Other revenue	45,531
Total revenues	6,295,834
Expenditures:	
Salaries and benefits	1,620,407
Services and supplies	363,326
Contributions to local projects	3,891,032
Total expenditures	5,874,765
Net change in fund balance	421,069
Fund balance, beginning of year	13,382,336
Fund balance, end of year	$ 13,803,405

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, 2024

Net Change in Fund Balance - Governmental Fund	$ 421,069
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	(82,395)
Change in deferred outflows of resources	1,065
Change in net pension liability	(227,244)
Change in net OPEB asset	(51,847)
Change in deferred inflows of resources	46,437
Change in lease principal payments	90,608
Change in compensated absences	(13,949)
Change in Net Position of Governmental Activities	$ 183,744

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

NOTE 1 – GENERAL

Under the authority of the California Children and Families First Act of 1998 and Sections 130100, et seq. of the Health and Safety Code, the Children 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 balance, 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 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (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 type: 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, 2024.

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, 2024.

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, 2024, First 5 received $4,422,571, which amounts to 70.25% 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 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (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. 100 – *Accounting Changes and Error Corrections.* The provisions of this statement are effective for reporting periods beginning after June 15, 2023. There is no material effect on First 5's accounting or financial reporting as a result of implementing this standard.

N. Future Accounting Pronouncements

The GASB Statements listed below will be implemented in the future statements:

GASB Statement No. 101 – *Compensated Absences.* The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. First 5 will implement GASB Statement No. 101 when and where applicable.

GASB Statement No. 102 - *Certain Risk Disclosures.* The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all fiscal years thereafter. First 5 will implement GASB Statement No. 102 when and where applicable.

GASB Statement No. 103 - *Financial Reporting Model Improvements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all fiscal years thereafter. First 5 will implement GASB Statement No. 103 when and where applicable.

NOTE 3 – <u>CASH AND CASH EQUIVALENTS</u>

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.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Cash and Cash Equivalents (Continued)

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 County Pool totaled $14,317,699 as of June 30, 2024. The contractual withdrawal values (book values) were $14,435,920 as of June 30, 2024.

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, 2024, 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, 2024, of $14,317,699 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.

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

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

Authorized Investments of the County Pool (Continued)

At June 30, 2024, the County Pool was invested in the following securities:

Investment Type	Interest Rate	Maturities	Weighted Average Maturity (Years)	Rating
Certificates of deposit	4.76%-6.03%	07/05/24-02/01/27	4.9	A, A+, AA-
Commercial paper	0.00%	07/15/24-08/16/24	21.2	A, A+, AA-
LAIF	5.00%-5.81%	7/1/2024-05/15/25	4.9	AAA
U.S. Treasury bills	0.00%	07/05/24-09/26/24	5.0	AA+
U.S. Treasury notes	0.25%-4.87%	07/31/24-04/30/29	4.8	AA+
Federal agency securities	0.00%-6.00%	07/03/23-06/27/29	5.2	AA+
U.S. Instrumentalities	0.00%-5.50%	07/08/24-03/05/29	5.2	AAA
Corporate bonds	0.50%-6.07%	07/08/24-03/14/29	5.1	AA-, A-, A, AA, A+, AA+, BBB+
Money market funds	0.00%	07/01/24	0.0	AAA
Asset backed securities	0.58%-2.22%	08/15/25-11/15/26	1.9	AAA, NR
Municipal bonds	0.67%-3.05%	08/01/24-08/01/25	5.2	AA-, AA, AA+

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, 2024, the County Pool had a weighted average maturity of 5.0 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, 2024, the County Pool has five percent or more of its total investments with the following issuers: 22.5% in United States Treasury Notes, 36.7% in Federal Agency Securities, 11.1% in US Instrumentalities, and 12.9% in Corporate Bonds.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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 June 30, 2024:

Proposition 10 allocation - June	$ 241,803
Proposition 10 allocation - May	242,160
Surplus Money Investment Fund (SMIF)	30,151
CECET	35,095
F5CA Impact Grant	203,520
F5SF Impact Hub	46,950
Sequoia Healthcare Grant	170,697
Home Visiting Grant	50,467
Other	53
Total	$ 1,020,896

NOTE 5 – LEASED ASSETS

Leased asset activity for the year ended June 30, 2024, was as follows:

	Balances June 30, 2023	Additions	Deletions	Balances June 30, 2024
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	(176,555)	(82,395)	-	(258,950)
Total accumulated amortization	(176,555)	(82,395)	-	(258,950)
Total right-to-use leased assets, net	$ 192,256	$ (82,395)	$ -	$ 109,861

Amortization for right-to-use leased assets for the year ended June 30, 2024, was $82,395.

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable is comprised of funding due to grantees and amounts due to vendors for services and supplies at June 30, 2024:

Funding due to grantees	$ 1,123,188
Funding due to other funds	410
Services and supplies	27,160
Total	$ 1,150,758

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of First 5's long-term liabilities as of June 30, 2024:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Long-Term Liabilities					
Lease liability	$ 214,993	$ -	$ (90,608)	$ 124,385	$ 92,706
Compensated absences	177,273	153,240	(139,291)	191,222	84,044
Net pension liability	1,076,035	227,244	-	1,303,279	-
Total Long-Term Liabilities	$ 1,468,301	$ 380,484	$ (229,899)	$ 1,618,886	$ 176,750

On November 1, 2021, 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, 2024, the value of the lease liability is $124,385. First 5 is required to make monthly fixed payments of $7,893. First 5 is utilizing an incremental borrowing rate of 2.50%. The building's estimated useful life was 48 months as of the contract commencement.

Year Ending June 30,	Principal	Interest
2025	$ 92,706	$ 2,046
2026 (through October 31, 2025)	31,679	164
Total	$ 124,385	$ 2,210

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.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description (Continued)

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.

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 $227,133 for the year ended June 30, 2024.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description (Continued)

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the plan were as follows:

Contributions – employer	$	227,133
Contributions – employee		123,068

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

As of June 30, 2024, First 5 reported $1,303,279 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, 2023, 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, 2023. 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 0.15% as of June 30, 2023, which was a 0.02% increase from its share measured as of June 30, 2022.

For the year ended June 30, 2024, First 5 recognized pension expense of $463,006. At June 30, 2024, First 5 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 227,133	$ -
Changes in pension-related assumptions	212,817	-
Change in proportionate share of net pension liability	-	662
Difference in actual and proportionate share of pension contributions	1,219	-
Differences between expected and actual pension experience	157,296	-
Net difference between projected and actual earnings on pension investments	247,937	-
Total	$ 846,402	$ 662

First 5 reported $227,133 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows and Inflows of Resources
2025	$ 242,479
2026	97,886
2027	272,582
2028	5,660
Total	$ 618,607

The total pension liabilities in the June 30, 2023 actuarial valuation were determined using the information below.

NOTE 8 – EMPLOYEES' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions

Measurement Date	June 30, 2023
Valuation Date	June 30, 2023
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Experience Study	July 1, 2020 to April 30, 2023
Amortization Method	Level Percentage of Projected Payroll
Amortization Period	Unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of the projected salaries of present and future members of SamCERA over a 15 year period beginning July 1, 2024.
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	3.25%
Investment Rate of Return (1)	6.42%
Growth in Active Membership	0.00%
Inflation Rate (Consumer Price Index (CPI))	2.75%
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, 2023, 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
Growth		
Public Equity	40.0%	4.0%
Private Equity	7.0%	7.7%
Opportunistic Credit	10.0%	3.9%
Diversifying		
Core Fixed Income	12.5%	1.8%
Absolute Return	7.0%	2.3%
Inflation Hedge		
Real Estate	9.0%	3.3%
Private Real Assets	4.0%	4.5%
Public Real Assets	5.0%	4.5%
Liquidity		
Cash Flow Match	4.5%	1.4%
Cash and Cash Overlay	1.0%	0.8%
Total	100%	

NOTE 8 – <u>EMPLOYEES' RETIREMENT PLAN</u> (Continued)

Discount Rate

The investment rate of return assumption used to measure the total pension liability was 6.42% as of June 30, 2023, which was no change 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 Pension Unfunded Actuarial Accrued Liability (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	$ 11,698,202	$ 10,228,686	$ 9,033,002
Fiduciary net position	8,925,407	8,925,407	8,925,407
Net pension liability	2,772,795	1,303,279	107,595

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, 2024, First 5 has paid all contributions to the pension plan required for the year ended June 30, 2024.

NOTE 9 – <u>OTHER POSTEMPLOYMENT BENEFITS (OPEB)</u>

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 – <u>OTHER POSTEMPLOYMENT BENEFITS (OPEB)</u> (Continued)

<u>Plan Description</u> (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, 2023 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, 2024, were $39,136.

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

Employees Covered by Benefit Terms

At June 30, 2024 (using a June 1, 2023 census date), the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	-
Total active plan members	8

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

As of June 30, 2024, First 5 reported $161,034 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, 2023, 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, 2023. 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 0.21% as of June 30, 2023, which was an increase from its 0.14% share measured as of June 30, 2022.

For the year ended June 30, 2024, First 5 recognized OPEB expense of $34,088. At June 30, 2024, First 5 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made subsequent to measurement date	$ 39,136	$ -
Changes of OPEB-related assumptions	55,131	73,155
Differences between expected and actual OPEB experience	11,419	85,242
Net difference between projected and actual earnings on OPEB investments	-	267
Total	$ 105,686	$ 158,664

First 5 reported $39,136 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Deferred Outflows and Inflows of Resources
2025	$ (34,434)
2026	(35,896)
2027	1,884
2028	(19,825)
2029	(7,142)
Thereafter	3,299
Total	$ (92,114)

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the information below.

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

Actuarial Methods and Assumptions

Measurement Date	June 30, 2023
Valuation Date	June 30, 2023
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
	2023-24 8.90%
	2024-25 6.70%
	2025-26 6.10%
	2026-27 5.5%
	2027-28 5.10%
	2028-29 4.90%
	2029-30 4.80%
	2030-31 4.60%
	2031-32 4.40%
	2032-33 4.30%
	2042-43 4.30%
	2052-53 4.40%
	2062-63 4.40%
	2072-73 4.00%
	2082-83 3.90%
	After 2092 3.90%
Dental Cost Trend	2023-24 2.00%
	2024-73 4.00%
	After 2073 3.90%
Vision Cost Trend	2023-24 2.00%
	2024-73 4.00%
	After 2073 3.90%

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:

Asset Class	Target Allocation
Global Equity	34%
U.S. Fixed Income	41%
Treasury Inflation-Protected Securities (TIPS)	5%
Real Estate Investment Trusts (REITs)	17%
Commodities	3%
Total	100%

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

Discount Rate

The investment rate of return assumption used to measure the total OPEB liability was 5.75% as of June 30, 2023, which was no change 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:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Total OPEB liability	$ (1,037,141)	$ (951,544)	$ (875,366)
Fiduciary net position	(790,510)	(790,510)	(790,510)
Net OPEB liability/(asset)	(246,631)	(161,034)	(84,856)

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:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ (869,794)	$ (951,544)	$ (1,047,085)
Fiduciary net position	(790,510)	(790,510)	(790,510)
Net OPEB liability/(asset)	(79,284)	(161,034)	(256,575)

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, 2023, are presented below. First 5's proportionate share was 0.21%.

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, 2022	$ (1,357,765)	$ (1,144,884)	$ (212,881)
Changes for the year:			
Service cost	(32,472)	-	(32,472)
Interest of total OPEB liability	(52,681)	-	(52,681)
Effect of plan changes	(14,230)	-	(14,230)
Effect of economic/demographic gains or losses	33,236	-	33,236
Effect of assumptions changes or inputs	(28,596)	-	(28,596)
Benefit payments	53,096	53,096	-
Employer contributions	-	(50,000)	50,000
Net investment income	-	(26,745)	26,745
Administrative expenses	-	374	(374)
Change in employer's proportionate share	447,868	377,649	70,219
Net changes	406,221	354,374	51,847
Balance at June 30, 2023	$ (951,544)	$ (790,510)	$ (161,034)

Payable to the OPEB Plan

At June 30, 2024, First 5 has paid all contributions to the OPEB plan required for the year ended June 30, 2024.

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:

Committed	
Contracts and amendments to executed contracts:	
Grantees	$ 3,942,917
Others	1,027,204
Assigned	8,833,284
Total	$ 13,803,405

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. CECET represents California Electronic Cigarette Excise Tax allocation.

The Impact Grant and Home Visiting Grant are awarded through a grant competitive application. This is not a regular allocation. The Impact Grant is a 3-year grant. The Home Visiting grant is a 2-year grant with an extended term of one more year.

Tobacco tax and other revenues are comprised of:

Proposition 10:	
Monthly Allocations	$ 3,098,837
Surplus Money Investment Fund	30,151
Proposition 56	1,218,960
CECET	74,623
Total	$ 4,422,571

Other Grants

Other grants are comprised of:

Help Me Grow Call Center Grant 2023	$ 45,000
Impact HUB Grant	411,765
Home Visiting Grant	75,439
Mental Health Services Act - Proposition 63	46,795
Mental Health Grant	33,251
Special Needs Grant	304,424
SMC Children Success Planning Project	2,538
Children Youth Behavior Health Initiatives	28,590
Wellness Grant	1,072
Baby Bonus Program	83,936
Total	$ 1,032,810

NOTE 11 – REVENUES (Continued)

Investment Earnings (Losses)

Investment earnings of $794,922 for the year ended June 30, 2024, 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	$ 508,087
Change in fair value of investments	286,835
Total	$ 794,922

Other Revenue

Other revenues are comprised of:

SDI payments	$ 45,531
Total	$ 45,531

NOTE 12 – RETIREMENT BENEFITS

Retirement benefits are comprised of:

First 5 retirement contribution	$ 227,133
Pension expense (changes in net pension liability)	463,006
OPEB expense (changes in net OPEB liability/(asset))	34,088
OPEB adjustment	(11,136)
Other retirement benefits	5,898
Total	$ 718,989

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.

NOTE 13 – CONTRIBUTIONS TO LOCAL PROJECTS (Continued)

Grant contributions for the year ended June 30, 2024, include:

Cycle Four Funding:		
4Cs (Build Up Kids for San Mateo County)	$	88,792
ABILITYPATH (Integrated Systems for Children with Special Needs)		743,872
Children Now (Improve Access to Oral Health)		19,333
CORA (The Family Resilience Project)		286,333
Family Connections (Thriving Families Project)		193,176
Institute for Human & Social Development, Inc. (Family Engagement Unity Project)		42,225
Peninsula Family Services (Therapeutic Child Development Centers)		157,704
Puente de la Costa Sur (Suenos Unidos Parent Participatory Preschool)		100,000
Ravenswood Family Health Center - South (Oral Health Services)		49,174
San Mateo County Office of Education (EQ+IP)		831,844
San Mateo County Office of Education (Family Eng. System Support)		97,535
San Mateo County Office of Education (IMPACT)		287,686
San Mateo County Office of Education (IMPACT HUB 4)		53,788
Sonrias Dental Health, Inc (Early Childhood Oral Health Programming)		61,616
Star Vista (Early Childhood Services - Healthy Homes)		180,632
Contractors:		
Cheryl Oku (Help Me Grow Consultation Services)		82,500
Easy Bay Agency for Children (Trauma & Resiliency - Informed Systems Initiatives Organizational Coaching)		19,140
EvalCorp (Evaluation Consultation and Support Services)		91,040
Hamai Consulting (Trauma & Resiliency - Informed Systems Initiatives)		3,450
Hamai Consulting (Home Visiting Strategic Planning)		53,520
Institute of Development - Dr. Tasha Parker (Trauma and Resiliency Informed System Initiatives - Planning, Partnership, Support Consultant)		13,968
Learning for Action (Early Childhood Mental Health Services Landscape Scan)		32,054
Persimmony International (Online Grant Mgt System)		87,287
Susan Wolfe (Trauma and Resiliency Informed System Initiatives - Evaluation Consultant Services)		4,275
Vilma Reyes Training and Consultation (Children Parent Psychotherapy CPP Training and Learning Initiative)		9,750
Viva Social Impact (Communication Consultation)		203,085
Viva Social Impact (SMC Children Success Planning Project)		3,340
Viva Social Impact (Strategic Planning Process FY2025-2030)		18,288
Within Collaborative (Centing Family Voice Project		73,954
Other		1,671
Cycle Four Funding Total	$	3,891,032
Total	$	3,891,032

NOTE 14 – GRANT COMMITMENTS

First 5's commitments to grantees as of June 30, 2024, were as follows:

Cycle Four Funding	$	4,970,121
Total	$	4,970,121

NOTE 15 – PROGRAM EVALUATION

First 5 spent $344,820 on program evaluation during the year ended June 30, 2024.

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, 2024, were as follows:

San Mateo County Behavioral Health and Recovery Services Department	$	46,795
San Mateo County Behavioral Health and Family Health Services Department		83,936
Total	$	130,731

NOTE 17 – SUBSEQUENT EVENTS

First 5 has evaluated subsequent events through October 2, 2024, 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, 2024

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Tobacco tax	$ 5,156,425	$ 4,788,178	$ 4,422,571	$ (365,607)
Investment interest	101,716	350,000	500,698	150,698
Other grants	506,700	1,206,300	1,032,810	(173,490)
Other revenue	-	-	45,531	45,531
Total revenues	5,764,841	6,344,478	6,001,610	(342,868)
Expenditures:				
Salaries and benefits	1,703,887	1,703,887	1,620,407	83,480
Services and supplies	429,050	446,635	363,326	83,309
Contributions to local projects	5,190,000	6,006,778	3,891,032	2,115,746
Total expenditures	7,322,937	8,157,300	5,874,765	2,282,535
Net change in fund balance	$ (1,558,096)	$ (1,812,822)	126,845	$ 1,939,667
Fund balance, beginning of year			13,382,336	
Fund balance, end of year			$ 13,509,181	

Budget to GAAP reconciliation:

Actual revenue on a budgetary basis	$ 6,001,610
Differences - budget to GAAP	
For budgetary purposes, investment earnings do not include unrealized gains/(losses) on investments	294,224
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance	$ 6,295,834

FIRST 5 SAN MATEO COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020
First 5's proportion of the collective net pension liability	0.13%	0.13%	0.12%	0.12%	0.12%
First 5's proportionate share of the collective net pension liability	$ 1,303,279	$ 1,076,035	$ 285,978	$ 1,155,541	$ 835,370
First 5's covered payroll*	973,470	900,918	894,380	928,408	866,146
First 5's proportionate share of the collective net pension liability as a percentage of covered payroll	133.88%	119.44%	31.97%	124.46%	96.45%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	88.46%	98.23%	84.46%	88.46%

	2019	2018	2017	2016	2015
First 5's proportion of the collective net pension liability	0.12%	0.11%	0.11%	0.11%	0.10%
First 5's proportionate share of the collective net pension liability	$ 606,419	$ 663,743	$ 770,981	$ 516,749	$ 409,823
First 5's covered payroll*	806,833	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	75.16%	82.08%	101.96%	86.35%	65.68%
Plan fiduciary net position as a percentage of the total pension liability	89.96%	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, 2024

	2024	2023	2022	2021	2020
Contractually required contribution	$ 227,133	$ 290,383	$ 279,876	$ 268,432	$ 235,766
Contributions in relation to the contractually required contribution	227,133	290,383	279,876	268,432	235,766
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$ 1,015,196	$ 973,470	$ 900,918	$ 894,380	$ 928,408
Contributions as a percentage of covered payroll	22.37%	29.83%	31.07%	30.01%	25.39%

	2019	2018	2017	2016	2015
Contractually required contribution	$ 228,829	$ 198,644	$ 176,870	$ 182,614	$ 170,517
Contributions in relation to the contractually required contribution	228,829	198,644	176,870	182,614	170,517
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$ 866,146	$ 806,833	$ 808,645	$ 756,154	$ 598,404
Contributions as a percentage of covered payroll	26.42%	24.62%	21.87%	24.15%	28.50%

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, 2024

	2024	2023	2022	2021	2020	2019	2018
First 5's proportion of the collective net OPEB liability/(asset)	0.14%	0.14%	0.40%	0.40%	0.38%	0.14%	0.14%
First 5's proportionate share of the collective net OPEB liability/(asset)	$ (161,034)	$ (212,881)	$ (303,083)	$ 16,047	$ 171,704	$ 145,618	$ 126,906
First 5's covered payroll	973,470	900,918	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	-16.54%	-23.63%	-33.89%	1.73%	19.82%	18.05%	5.69%
Plan fiduciary net position as a percentage of the total OPEB liability	83.08%	84.32%	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, 2024

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 39,136	$ 33,989	$ 105,697	$ 115,537	$ 107,097	$ 41,808	$ 42,808
Contributions in relation to the actuarially determined contribution	39,136	33,989	105,697	115,537	107,097	41,808	42,808
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$ 1,015,196	$ 973,470	$ 900,918	$ 894,380	$ 928,408	$ 866,146	$ 806,833
Contributions as a percentage of covered payroll	3.86%	3.49%	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, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	$ (32,472)	$ (45,125)	$ 273,194	$ 4,480	$ 59,957	$ 22,343	$ 23,857
Interest on total OPEB liability	(52,681)	(72,663)	502,827	7,505	103,589	36,012	40,073
Effect of plan changes	(14,230)	19,377	-	-	-	-	-
Effect of economic/demographic gains or losses	33,236	(30,620)	(487,652)	(386)	(753)	6,033	(22,665)
Effect of assumptions changes or inputs	(28,596)	(46,635)	156,432	(9,187)	2,007	13,628	(73,676)
Benefit payments	53,096	71,956	(437,561)	(6,036)	(84,336)	(28,646)	(30,731)
Change in employers' proportionate share	447,868	(9,248,803)	7,877,180	(648,309)	108,877	-	-
Net change in total OPEB liability	406,221	(9,352,513)	7,884,420	(651,933)	189,341	49,370	(63,142)
Total OPEB liability, beginning	(1,357,765)	7,994,748	110,328	762,261	572,920	523,550	586,692
Total OPEB liability, ending (a)	$ (951,544)	$ (1,357,765)	$ 7,994,748	$ 110,328	$ 762,261	$ 572,920	$ 523,550
Plan Fiduciary Net Position							
Employer contributions	$ (50,000)	$ (80,956)	$ 561,261	$ 7,622	$ 110,715	$ 35,360	$ 42,808
Net investment income	(26,745)	165,079	1,352,116	4,456	80,395	24,148	26,522
Benefit payments	53,096	71,956	(437,561)	(6,036)	(84,336)	(28,646)	(30,731)
Administrative expenses	374	633	(3,719)	(44)	(563)	(204)	(178)
Change in employers' proportionate share	377,649	(9,599,427)	6,731,453	(502,274)	57,044	-	-
Net change in plan fiduciary net position	354,374	(9,442,715)	8,203,550	(496,276)	163,255	30,658	38,421
Plan fiduciary net position, beginning	(1,144,884)	8,297,831	94,281	590,557	427,302	396,644	358,223
Plan fiduciary net position, ending (b)	$ (790,510)	$ (1,144,884)	$ 8,297,831	$ 94,281	$ 590,557	$ 427,302	$ 396,644
Net OPEB liability/(asset) (a)-(b)	$ (161,034)	$ (212,881)	$ (303,083)	$ 16,047	$ 171,704	$ 145,618	$ 126,906
Plan fiduciary net position as a percentage of the total OPEB liability	83.08%	84.32%	103.79%	85.46%	77.47%	74.58%	75.76%
Covered payroll	$ 973,470	$ 900,918	$ 894,380	$ 928,408	$ 866,146	$ 806,833	$ 808,645
Net OPEB liability/(asset) as a percentage of covered payroll	-16.54%	-23.63%	-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

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

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 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, 2024, 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 2, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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

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 95207
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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 2, 2024

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 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, 2024.

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, 2024.

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 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 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 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

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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 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 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 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 First 5's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine First 5's compliance with the state laws and regulations applicable to the following items:

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

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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 2, 2024