MEETING DATE:
October 27 2022 1:15PM

Facilitator: Eric Harrold

Computer Link:

https://saccounty-net.zoomgov.com/j/1614891885?pwd=Y3cyTmF0aU1mR3podnVDV0xNcUdVQT09

Meeting ID: 161 489 1885

Passcode: 797470

Phone in: 1-669-900-6833 US (San Jose)
Using the same meeting id and password as above.

FINANCIAL PLANNING COMMITTEE MEETING AGENDA

Commission Members: Beth Hassett (Chair), Lee Turner-Johnson, Scott Moak

Advisory Committee Members: Walter Wyniarczuk, Silvia Rodriguez (Vice-Chair)

1. Call to Order/Roll Call
2. Public Comments on Off-Agenda Items
3. Approve Draft Action Summary of July 21, 2022
4. Receive Staff Updates
5. Approve 2023 Meeting Calendar
6. Review and Approve FY 21/22 Audited Financials Report
7. Review and Comment on Financial Statements
8. Committee Member Comment

Location: 2750 Gateway Oaks Dr., #330, Sacramento, CA 59833
Quarterly/Third Thursday of the month
First 5 Conference Room

If there is a need for an accommodation pursuant to Americans with Disabilities Act (ADA), medical reasons or for other needs, please contact the Clerk of the Board by telephone at (916) 874-5411 (voice) and CA Relay Services 711 (for the hearing impaired) or WillsSt@saccouty.gov prior to the meeting.

FIRST 5 SACRAMENTO COMMISSION
2750 Gateway Oaks Dr., Suite 330
Sacramento, CA 95833

FINANCIAL PLANNING COMMITTEE

DRAFT ACTION SUMMARY

Thursday, July 21, 2022 – 1:15 PM

Members Present: Beth Hassett (Chair), Lee Turner-Johnson,
Advisory Committee Members Present: Walter Wyniarczuk, Silvia Rodriguez (Vice-Chair), Rebecca Gross (Alternate) Robin Blanks-Guster
Staff Present: Julie, Gallelo, Eric Harrold, Stephanie Wills, Katie Cline, Troy Coronado; Alina Mangru (County of Sacramento CEO office staff)
Absent: Scott Moak,

1. Welcome/Call to order and Roll Call
   Action: The meeting was called to order at 1:30pm. A quorum was established.

2. Public Comments on Off-Agenda Items
   Action: None

3. Approve Draft Action Summary of April 21, 2022
   Motion Moved by Walter Wyniarczuk; 2nd by Lee Turner-Johnson
   Action: AYES: Hassett, Turner-Johnson, Wyniarczuk, Rodriguez, Blanks-Guster

4. Receive Staff Updates
   Eric Harrold updated members, including:
   - First 5 Sacramento will be receiving America Rescue Plan Act (ARPA) funding to fund 2 new projects; Building Strong Families (BSF) and an expansion of the of Community Based Child Abuse Prevention (CBCAP) to focus on systems work with hospitals to further reduce sleep related deaths.
   - First 5 Sacramento was awarded $570,000 from F5 CA to support refugee families. 5 new contracts will begin 9/1/22-8/31/23.

5. Review and Approval of Proposed Adopted Budget for Fy22/23
   Motion Moved by Beth Hassett; 2nd by Lee Turner-Johnson
   Action: AYES: Hassett, Turner-Johnson, Moak, Wyniarczuk, Rodriguez

6. Review and Comment on Quarterly Financial Statements
   No comments

7. Committee Member Comments
   Action: Beth Hassett expressed kudos to Julie Gallelo and the First 5 Sacramento team for a job well done due to the “fiscal cliff” no longer being an issue.

Adjourned: 2:08PM

Respectfully submitted,

Stephanie Wills, Clerk
First 5 Sacramento Commission

October 27, 2022

FINANCIAL PLANNING COMMITTEE (FPC)
Meeting Calendar
2023

Meeting Reoccurrence: 1:15 pm to 2:15 pm
3rd or 4th Thursday of the month
Quarterly
Virtually: Via Zoom or other online system until further notice, when
Meetings resume in person they will be at:
First 5 Community Room, 2750 Gateway Oaks Dr., Ste. 330

FPC Meeting Dates:	For Commission Action On:
January 19, 2023 *Financials*	February 6, 2023 No action needed
April 20, 2023 *Recommended Budget* *Financials*	May 1, 2023 Approve Recommended Budget
July 27, 2023 **(4th Thursday to allow time for year-end close)** *Adopted Budget* *Financials*	August 7, 2023 Approve Adopted Budget
October 26, 2023 **(4th Thursday to allow more time for audit)** *Audit* *Financials*	November 6, 2023 Approve Audit

FIRST 5
SACRAMENTO COMMISSION
Financial Planning Committee

For the Agenda of:
October 27, 2022

To: Financial Planning Committee Members

From: Julie Gallelo
Executive Director

Subject: Public Hearing: Review and Adoption of the First 5 Sacramento Commission Audit for Fiscal Year 2021-22

Contact: Eric Harrold, 876-5868

RECOMMENDATION:

Conduct a Public Hearing for the review and adoption of the First 5 Sacramento Commission Audit for Fiscal Year 2021-22.

BACKGROUND:

The Children and Families Act of 1998 requires that California's 58 county commissions submit an annual report and audit to the First 5 California State Commission by November 1st of each year. The audit report was issued on October 20, 2022, and sent to the State Controller's Office and First 5 California on the same date.

The information contained in the audited financial statements is collected by the State Commission and included in the Annual Report to the Legislature. In accordance with Health and Safety Code Section 130140 (a) (1) (G) " the county commission [shall] prepare and adopt an annual audit and report … [and] conduct at least one public hearing prior to adopting any annual audit and reports."

DISCUSSION:

The audit was conducted by Macias, Gini, & O'Connell, LLP (MGO) for fiscal year 2021-22. The Communications Letter (Attachment 1) discusses the responsibilities of MGO, conditions encountered and includes the Management Representation Letter. The Audit Report (Attachment 2) includes basic financial statements, required supplemental information, and other reports for fiscal year 2021-22.

Financial Highlights

The fiscal audit verifies expenditures totaling $18.8 million. Expenditures were supported by revenue totaling $18.4 million and a reduction to fund balance of

$325,821. The fiscal year ended with a total reserve fund balance of approximately $21.4 million, of which $14 million is classified into assigned and $7.4 million into unassigned fund balance categories.

Auditor Report
MGO reports the Commissions financial statements contained in the audit report present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2022.

MGO tested 24 procedures for Commission compliance with state laws and regulations and all were in compliance.

There were no findings noted for FY 21-22.

FISCAL IMPACT:

Adoption of the Audit Report has no financial impact.

CONFLICT OF INTEREST:

None.

CONCLUSION:

Staff recommends that the Commission conduct a public hearing to review and adopt the Audit of Financial Statements Fiscal Year 2021-22.

Respectfully submitted,

Julie Gallelo
Executive Director

Attachments:
1. 2022 Communication and Management Letter
2. 2022 Audit of Financial Statements

cc: Rick Heyer, County Counsel
Stephanie Wills, Clerk of the Commission

mgo Certified Public Accountants

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

We have audited the financial statements of the governmental activities and the general fund of the First 5 Sacramento Commission (Commission), a component unit of the County of Sacramento (County), California, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated October 20, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 8, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Macias Gini & O'Connell LLP
500 Capitol Mall, Suite 2200

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. As described in Notes 7 and 8 to the financial statements, during the year, the Commission changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the due from other government agencies includes reimbursements from the State Department of Healthcare Services (DHCS) for State Medi-Cal Administrative Activities (MAA) expenditures is based on recent historical reimbursements paid by DHCS.
- Management's estimate of the unavailable revenue-state and federal grants is based on the timing of historical collections.
- Management's estimate of the net pension liability, related deferred outflows and inflows of resources, expense, disclosures, and required supplementary information (unaudited) are based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*
- Management's estimate of the total OPEB liability, related deferred outflows and inflows of resources, expense, disclosures, and required supplementary information (unaudited) are based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Commission's financial statements relate to:

- The disclosure of the Commission's retirement plan in Note 5 to the financial statements. As previously noted, amounts are based on actuarial calculations, which are sensitive to the underlying actuarial assumptions used, including, but not limited to, the discount rate and the Commission's proportionate share of the County's collective net pension liability.
- The disclosure of the Commission's other postemployment health care benefits (OPEB) in Note 6 to the financial statements. As previously noted, amounts are based on actuarial calculations, which are sensitive to the underlying actuarial assumptions used, including, but not limited to, the discount rate, medical trend, and the Commission's proportionate share of the County's collective total OPEB liability.

Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable to the Commission's opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management dated October 20, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Commission's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures to management's discussion and analysis, the schedule of the Commission's proportionate share of the County's net pension liability, the schedule of contributions – pension, and the schedule of the Commission's proportionate share of the County's total OPEB liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Restriction on Use

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

Macias Gini & O'Connell LLP

Sacramento, California
October 20 2022

FIRST 5 SACRAMENTO COMMISSION
(A Component Unit of the
County of Sacramento, California)

Independent Auditor's Reports,
Basic Financial Statements, and
Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

mgo Certified Public Accountants

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Table of Contents

Certified
Public
Accountants

Independent Auditor's Report

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Macias Gini & O'Connell LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

www.mgocpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for 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, the schedule of the Commission's proportionate share of the County's net pension liability, the schedule of contributions – pension, and the schedule of the Commission's proportionate share of the County's total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 20, 2022, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
October 20, 2022

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

First 5 Sacramento Commission (Commission) presents its financial statements under the reporting model required by accounting principles generally accepted in the United States of America (GAAP). Certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis (MD&A).

This discussion and analysis of the Commission's financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2022. It should be read in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

During the fiscal year ending June 30, 2022, the Commission implemented the first year of programs outlined in the 2021 Strategic Plan, which covers fiscal years 2021-22 through 2023-24. This section highlights financial activities for the fiscal year 2021-22:

- Total assets decreased by $638,538 (2.4%) from $26,651,499 in fiscal year 2020-21 to $26,012,961 in current year as a direct result of the Commission's decision to spend down its reserves as approved in the three-year strategic plan.

- As of result of the implementation of GASB Statement No. 87, *Leases*, effective as of July 1, 2021, the Commission has reported for the first time, right to use leased assets of $535,727, and a lease liability of $559,041, respectively, as of June 30, 2022.

- Net position increased by $141,058 (0.7%) from $20,163,747 in fiscal year 2020-21 to $20,304,805 in the current year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

<u>Government-Wide Financial Statements</u>
The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances in a manner similar to a private sector's business.

The *Statement of Net Position* presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the improvement or deterioration in the financial position of the Commission.

The *Statement of Activities* presents information showing how the Commission'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 future fiscal periods (e.g. earned but unused vacation leave). The government-wide financial statements are shown on the right hand columns of pages 9 and 10 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements.

However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The fund financial statements are shown on the left hand columns of pages 9 and 10 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarizes the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2022 and 2021.

Summary Statement of Net Position

	June 30, 2022	June 30, 2021	Variance	Percent Change
Assets				
Current and other assets	$ 23,389,219	$ 24,915,646	$ (1,526,427)	-6.1%
Due from government agencies	2,088,015	1,735,853	352,162	20.3%
Noncurrent assets	535,727	-	535,727	100.0%
Total Assets	26,012,961	26,651,499	(638,538)	-2.4%
Deferred outflows of resources	715,930	894,322	(178,392)	-19.9%
Liabilities				
Current and other liabilities	1,843,158	2,503,036	(659,878)	-26.4%
Due to government agencies	1,499,484	1,730,168	(230,684)	-13.3%
Net pension liability	145,134	2,531,563	(2,386,429)	-94.3%
Total OPEB liability	121,866	144,310	(22,444)	-15.6%
Noncurrent liability	778,745	268,406	510,339	190.1%
Total Liabilities	4,388,387	7,177,483	(2,789,096)	-38.9%
Deferred inflows of resources	2,035,699	204,591	1,831,108	895.0%
Net Position:				
Unrestricted	$ 20,304,805	$ 20,163,747	$ 141,058	0.7%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Current and other assets decreased by $1,526,427 due to planned reductions of reserves based upon the current Strategic Plan. Noncurrent assets increased by $535,727 due to the implementation of GASB Statement No. 87, *Leases* which required the Commission's office lease to be reported as a Right to Use Asset and Lease Liability on the Statement of Net Position in the current year.

Due from government agencies increased by $352,162 due to the timing of Prop 10 revenues collected, along with an increase in estimated Medi-Cal Administrative Activities (MAA) revenues.

Deferred outflows of resources decreased by $178,392 mostly due to a decrease in changes in assumptions related to pensions.

Total liabilities decreased by $2,789,096 mostly due to a decrease in the net pension liability of $2,386,429, as a result investment earnings on pension plan investments, and a decrease in due to government agencies of $230,684 in the current year that was related to timing of claims and warrants payable. Current liabilities decreased by $659,878 due to timing of claims. Noncurrent liabilities increased by $510,339 due to implementation of GASB Statement No. 87, *Leases* which required the Commission's office lease to be reported as a Right to Use Asset and Lease Liability on the Statement of Net Position.

Deferred inflows of resources increased by $1,831,108 due to the net differences between the projected and actual investment earnings on pension plan investments.

For the year ended June 30, 2022, current year operations increased the Commission's net position by $141,058 as planned in the 2021 Strategic Plan.

The following is a summary of the Commission's Statement of Activities comparing revenues, expenses, and changes in net position for the fiscal years ended June 30, 2022 and 2021.

Summary Statement of Activities

	June 30, 2022	June 30, 2021	Variance	Percent Change
Revenues				
Program revenue	$ 18,196,056	$ 17,698,369	$ 497,687	2.8%
General revenues	(207,815)	(42,798)	(165,017)	385.6%
Total revenues	17,988,241	17,655,571	332,670	1.9%
Expenses				
Child development services	17,842,557	20,884,241	(3,041,684)	-14.6%
Debt service:				
Interest	4,626	-	4,626	100.0%
Changes in net position	141,058	(3,228,670)	3,369,728	-104.4%
Net position beginning of period	20,163,747	23,392,417	(3,228,670)	-13.8%
Net position end of period	$ 20,304,805	$ 20,163,747	$ 141,058	0.7%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Commission recognized a total of $18,196,056 in program revenue from First 5 California, the State of California, and the County of Sacramento (County) reflecting a 2.8 percent increase in tobacco tax revenue, other state operating grant revenue, and County operating grant revenue for fiscal year 2021-22. This increase was mostly due to an additional revenue of $463,808 in County operating grants and $564,757 in State operating grants revenue, offset by a decrease of $532,493 in Prop 10 revenues of over the budgeted amount.

General revenues decreased by $165,017 mostly due to a decrease in interest revenue compared to fiscal year 2021 and the change in fair value of the Commission's portion of the County's investment pool at June 30, 2022 as compared to June 30, 2021.

Expenses had an overall decrease of $3,037,058 mostly due to decreases in School Readiness and Empowered Families programs. The decrease in expenditures was a deliberate action for the 2021 Strategic Plan approved by the Commission to begin in FY 2021-22.

ANALYSIS OF THE GOVERNMENTAL FUND STATEMENTS

The activities are contained in the general fund of the Commission. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of the Commission's net resources, both committed and available for future operational needs.

The receipt of funds related to current period revenues must occur within a set period of time after the end of the fiscal year. Therefore, certain federally funded revenue previously recognized when invoiced at the government-wide level, is a deferred inflow of resources for those funds received after 120 days from the fiscal year end.

Similarly, portions of liabilities, such as pension obligations, which will not become due in the current period, are not reported within the context of the general fund financial statements. As of the end of fiscal year 2021-22, the Commission's general fund reported a total ending fund balance of $21,351,527 a decrease of $325,851 (1.5%) in comparison with the prior fiscal year balance of $21,677,378.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following summarizes the significant variances between the Commission's budgeted and actual revenues and expenditures. The *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund* can be found on page 11 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- Budgeted program revenues had an overall unfavorable variance of $284,600 primarily due to the unfavorable interest revenue variance of $556,789, as a result of the change in market conditions and the GASB 31 adjustment. Prop 10 tobacco tax revenue had a favorable variance of $1,253,596, from $11,850,663 budgeted to $13,104,259 actual. This variance is due to a larger than anticipated statutory backfill provided by Prop 56, a tobacco excise tax. Other State operating grants had an unfavorable variance of $245,655 (20.2%). County operating grants had an unfavorable variance of $737,890 (15.7%) due to the CalWORKS HVP program. These variances stem from service delivery issues and referral deficiencies experienced during the COVID-19 pandemic. Interest and other income had an unfavorable variance of $556,789 (159.6%) primarily due to a decrease in interest revenue and the change in fair value of the Commission's portion of the County's investment pool.

- Administrative costs were overspent by $599,305 primarily due to GASB 87 right to use lease expenditure recognition adjustment for the lease inception. Health program was underspent by $190,305 (13%), CalWorks was underspent by $687,164 (14.7%) and Evaluation was underspent by $101,895 (17.9%).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Proposition 10 funding is expected to stabilize near the natural annual decreasing rate of 2.5% after years of volatility caused by the passage of Proposition 56, which increased excise taxes on tobacco products. Sustainability efforts has led to the Commission engaging a home visiting program funded through the California Department of Social Services and passed on to community-based organizations to provide the services. The CalWORKs home visiting effort provides in-home services including evidence-based parenting education, service referrals, and child development information. More funding has been available for the program than it could be utilized for the program model.

In fiscal year 2022-23 an additional evidence-based curriculum has been added to the program to allow for more eligible service recipients and is expected to increase the utilization of funds available for the program. The Commission retains a negotiated amount of the funds to reimburse for expenses. In fiscal year 2021-22 $3,981,279 was spent providing home visiting services. In fiscal year 2022-23 funding is anticipated to be $4,688,443.

In November 2022, there is a statewide ballot measure to approve or reject a statewide ban on the sale of all flavored tobacco products. If the ban is passed, the State projects a negative impact to Proposition 10 revenues of an estimated 20%. Regardless of the outcome, the Commission plans to follow the remaining year and a half of the 2021 Strategic Plan using additional fund balance or may choose to revise the remaining year of the plan to lessen any revenue loss impact. Additionally, changes to the 2024 Strategic Plan that will be nearly complete by time of the election, will also be considered.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Commission's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director of the First 5 Sacramento Commission office located at 2750 Gateway Oaks Drive, Suite 330, Sacramento, California 95833.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2022

	General Fund	Adjustments (Note 3)	Statement of Net Position
Assets:			
Current assets:			
Cash and investments	$ 23,389,219	$ -	$ 23,389,219
Due from County of Sacramento	304,414	-	304,414
Due from other government agencies	1,783,601	-	1,783,601
Total current assets	25,477,234	-	25,477,234
Noncurrent assets:			
Right-to-use leased assets, net of amortization	-	535,727	535,727
Total assets	25,477,234	535,727	26,012,961
Deferred outflows of resources:			
Deferred outflows related to pensions	-	700,702	700,702
Deferred outflows related to OPEB	-	15,228	15,228
Total deferred outflows of resources	-	715,930	715,930
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	1,735,127	-	1,735,127
Due to County of Sacramento	272,559	-	272,559
Due to other government agencies	1,226,925	-	1,226,925
Current portion long-term obligations	-	108,031	108,031
Total current liabilities	3,234,611	108,031	3,342,642
Noncurrent Liabilities:			
Net pension liability	-	145,134	145,134
Total OPEB liability	-	121,866	121,866
Noncurrent portion long-term obligations	-	778,745	778,745
Total long-term liabilities	-	1,045,745	1,045,745
Total liabilities	3,234,611	1,153,776	4,388,387
Deferred inflows of resources:			
Unavailable revenue-state and federal grants	891,096	(891,096)	-
Deferred inflows related to pensions	-	1,956,488	1,956,488
Deferred inflows related to OPEB	-	79,211	79,211
Total deferred inflows of resources	891,096	1,144,603	2,035,699
Fund balance/Net position:			
Fund balance:			
Assigned	7,399,369	(7,399,369)	
Unassigned	13,952,158	(13,952,158)	
Total fund balance	21,351,527	(21,351,527)	
Total liabilities, deferred inflows of resources, and fund balance	$ 25,477,234		
Net position:			
Unrestricted		$ 20,304,805	$ 20,304,805

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses:			
Child development services	$ 18,748,746	$ (906,189)	$ 17,842,557
Debt service (lease):			
Principal	61,851	(61,851)	-
Interest	4,626	-	4,626
Total expenditures/expenses	18,815,223	(968,040)	17,847,183
Program revenues:			
Operating grants and contributions:			
Prop 10 Tobacco Tax	13,104,259	-	13,104,259
State operating grants	968,345	119,761	1,088,106
County operating grants	3,950,553	-	3,950,553
Federal operating grants	53,138	-	53,138
Total program revenues	18,076,295	119,761	18,196,056
Net revenue			348,873
General revenues:			
Investment and other income	(207,815)	-	(207,815)
Other financing sources:			
Lease liability issued	620,892	(620,892)	-
Change in fund balance/net position	(325,851)	466,909	141,058
Beginning fund balance/net position	21,677,378	(1,513,631)	20,163,747
Ending fund balance/net position	$ 21,351,527	$ (1,046,722)	$ 20,304,805

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Prop 10 tobacco Tax	$ 11,850,663	$ 11,850,663	$ 13,104,259	$ 1,253,596
State operating grants	1,214,000	1,214,000	968,345	(245,655)
County operating grants	4,688,443	4,688,443	3,950,553	(737,890)
Federal operating grants	51,000	51,000	53,138	2,138
Investment and other income	348,974	348,974	(207,815)	(556,789)
Total revenues	18,153,080	18,153,080	17,868,480	(284,600)
Expenditures:				
Child development services:				
Program by result area:				
Health	1,469,522	1,469,522	1,279,217	190,305
Medical, dental and mental health	59,394	59,394	56,621	2,773
Nutrition	525,050	525,050	523,724	1,326
Child care access	44,341	44,341	42,200	2,141
Quality childcare	705,978	705,978	666,267	39,711
School readiness	3,591,659	3,591,659	3,249,503	342,156
Empowered families	6,367,875	6,367,875	6,226,043	141,832
CalWorks HVI	4,668,443	4,668,443	3,981,279	687,164
Home visiting collaboration	141,645	141,645	118,245	23,400
Policy, advocacy, and sustainability	274,690	274,690	272,131	2,559
Program management	298,448	298,448	287,929	10,519
Evaluation	570,713	570,713	468,818	101,895
Administrative costs	1,043,941	1,043,941	1,643,246	(599,305)
Total expenditures	19,761,699	19,761,699	18,815,223	946,476
Other financing sources				
Lease liability issued	-	-	620,892	620,892
Changes in fund balance	(1,608,619)	(1,608,619)	(325,851)	1,282,768
Beginning fund balance	21,677,378	21,677,378	21,677,378	-
Ending fund balance	$ 20,068,759	$ 20,068,759	$ 21,351,527	$ 1,282,768

The notes to the basic financial statements are an integral part of this statement.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
In November 1998, the people of the State of California passed Proposition 10, also known as the Children and Families Act. Proposition 10 mandated an additional 50-cent-per-pack tax on cigarettes and a comparable increase in the tax of other tobacco products and required that the new funds be used on programs focused exclusively on early childhood development for children ages zero through five.

Following the directive of Proposition 10 to fund programs at the community level, each of the State's 58 counties created a Proposition 10 Commission to receive Proposition 10 revenues. In Sacramento County, the First 5 Sacramento Commission (Commission) was established by the County of Sacramento (County) Board of Supervisors through adoption of Ordinance SCC-1154 dated October 5, 1999. This ordinance amended Chapter 2.99 of the Sacramento County Code (SCC). The Commission is a component unit of the County and is discretely presented on the County's Annual Comprehensive Financial Report (ACFR). Component units are legally separate entities for which the primary government is financially accountable. Although the County Board of Supervisors has no control over the revenues, budget, staff or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them.

The purpose of the Commission is to promote, support, and improve the early development of children ages zero through five.

The Commission's seven-member governing board includes one member from the County Board of Supervisors, the Administrator of the Social Services Agency, the Superintendent of the Sacramento County Education Office (SCOE), and the County Health Officer. The remaining three board members are appointed in accordance with SCC §2.99.050(b) with representation among recipients of project services included in the County strategic plan; educators specializing in early childhood development; representatives of local child care resource or referral agencies; representatives of a local organization for prevention or early intervention for families at risk; representatives of community-based organizations with the purposes of promoting and nurturing early childhood development; representatives of local school districts; and, representatives of local medical, pediatric or obstetric associations or societies.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing GAAP for state and local government organizations.

Government-wide and Fund Financial Statements
Government-wide Financial Statements - The Statement of Net Position and Statement of Activities are presented on an economic resources measurement focus and accrual basis of accounting. All economic resources and obligations of the Commission are reported in the financial statements, including deferred inflows and outflows of resources.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position associated with the operations/activities of the Commission are included in the Statement of Net Position.

The Statement of Activities presents direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues also include tobacco taxes. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represents the resources that the Commission has available for use in providing services and is composed of unrestricted net position.

Fund Financial Statements - The fund financial statements consist of the balance sheet and the statement of revenues, expenditures, and change in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets, current liabilities and deferred inflow/outflow of resources are included on the balance sheet. All current operations of the Commission are accounted for in the general fund.

The fund financial statements are prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 120 days after year-end. Revenues susceptible to accrual include tax revenues, reimbursement grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

The Commission has combined its government-wide financial statements; the statement of net position and the statement of activities, with its fund financial statements; the balance sheet and the statement of revenues, expenditures, and change in fund balance. The two statements are titled the governmental fund balance sheet and statement of net position and the governmental fund revenues, expenditures, and change in fund balance and statement of activities. An explanation of the reconciliation between the statements is detailed in Note 3.

<u>Net Position and Fund Balance</u>
Net position in the government-wide financial statements at June 30, 2022 consists of the following:

- *Unrestricted Net Position* – This category represents net position of the Commission, not restricted for any project or other purpose.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance refers to the difference between assets, liabilities, and deferred inflows of resources in the governmental fund balance sheet. Fund balance is categorized as a hierarchy based largely on the extent to which a government is bound to observe spending constraints. Categories included in the balance sheet consists of the following:

- *Assigned* – This category comprises amounts intended to be used by the Commission for specific purposes. Intent can be expressed by the governing body, or by an official or body to which the governing body delegates the authority. The Commission has delegated authority to the Executive Director to act on behalf of the Commission for administrative contracts of up to $50,000. Budgetary authority is also used to delegate the Commission's intent to the Executive Director.

- *Unassigned* – This category is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Please refer to Note 9 for additional details regarding the Commission's fund balance.

<u>Budgetary Principles</u>
The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. On August 2, 2021, the Commission adopted its final budget of expenditures for the fiscal year ended June 30, 2022. The budget is prepared on the modified accrual basis of accounting. The accompanying statement of revenues, expenditures, and changes in fund balance – budget and actual – general fund includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Unencumbered appropriations lapse at the end of the fiscal year. For the current fiscal year, the Commission did not budget for the capital outlay lease expenditures required by GASB Statement No. 87 during the initial year of a right to use lease, thus the administrative costs were over budget by $559,305.

<u>Cash and Investments</u>
In accordance with SCC §2.99.110(b), the Commission has adopted the County's cash and investment policy and as such, the Commission's cash and investments are held with the Sacramento County Treasurer, as part of the cash and investment pool (as an involuntary participant) with other County funds.

Investments are stated at fair value. However, the value of the pool shares in the County Treasurer's investment pool that may be withdrawn is determined on an amortized cost basis, which approximates fair value.

<u>Deferred Outflows/Inflows of Resources</u>
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represent a consumption of net position that applies to a future period(s), and so will *not* be recognized as an outflow of resources (expense) until the event occurs. The Commission reports deferred outflows related to pensions and other postemployment benefits (OPEB).

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item which arises only under the modified accrual basis of accounting. The item, unavailable revenue, is reported only in the general fund, and represents revenue, which will be recognized as an inflow of resources in the period that the amounts become available. In addition, the statement of net position reports deferred inflows of resources related to pensions and OPEB.

Compensated Absences

Commission employees are granted vacation in varying amounts based upon classification and length of service. Additionally, certain employees are allowed compensated time-off (CTO) in lieu of overtime compensation and/or for working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to future years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits.

The Commission does not pay accumulated sick leave to employees who terminate prior to retirement. It is the policy of the Commission to pay all employees in the Management (032) representation unit up to half of their sick leave at retirement.

The Commission accrues for compensated absences in the government-wide statement of net position. The liquidation of compensated absences occurs when the hours are used or upon retirement or termination from the Commission.

Pension and Other Postemployment Benefits Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sacramento County Employees' Retirement System (SCERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Retiree Healthcare Plan, an OPEB plan, does not have a trust or equivalent arrangement and is funded on a pay-as-you-go basis.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of New Government Accounting Standard Board (GASB) Pronouncements
These statements are effective for fiscal year 2021-2022.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases 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. The Commission has implemented this Statement in the current fiscal year. The implementation of this Statement resulted in the recognition of a $535,727 right to use leased asset and a $559,041 lease liability at June 30, 2022 in the Statement of Net Position.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Commission has determined that there was no effect on its financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). The Commission has determined that there was no effect on its financial statements.

GASB Statement No. 97 – In June 2020, GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with reporting of certain defined contributions plans and enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. This Statement is effective for reporting periods beginning after June 15, 2021, or the 2021-2022 fiscal year. The Commission has determined that there was no effect on its financial statements.

NOTE 2 – CASH AND INVESTMENTS

The Commission maintains cash deposits and investments with the County and involuntarily participates in the external investment pool of the County. The Commission's share of the investment pool is separately accounted for and interest earned, net of related expenses, is apportioned quarterly based upon the relationship of its average daily cash balance to the total of the pooled account.

The following is a summary of the Commission's cash and investments:

	June 30, 2022
Cash in County Treasury	$ 23,389,219

The County Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Section 27134 of the California Government Code (Code). The pool is not registered with the U.S Securities and Exchange Commission (SEC) as an investment company.

The following table identifies investment types that are authorized by Code Section 53601 and the County's Investment Policy (Investment Policy).

Authorized Investment Type	Maximum Maturity (per Code/per policy)	Percentage of Portfolio (per Code/per policy)	Maximum Investment in One Issuer (per Code/per policy)	Minimum Rating Per S&P/Moody's/Fitch (per policy)
U.S. Treasury and Agency Obligations	5 years	not specified/100%	--	A-1/P-1/F1*
Washington Supranational Obligations	5 years	30%	10%	A-1/P-1/F1*
Municipal Notes	5 years	not specified/80%	10%	SP-1/M1G1/FI
Registered State Warrants	5 years	not specified/80%	10%	--
Bankers' Acceptances	180 days	40%	10%	A-1/P-1/F1*
Commercial Paper	270 days	40%	10%	A-1/P-1/F1*
Negotiable Certificates of Deposit	5 years/180 days	30%	10%	--
CRA Bank Deposit/Certificates of Deposit	not specified/1 year	not specified/30%	10%	--
Repurchase Agreements	1 year	not specified/30%	10%	A-1/P-1/F1*
Reverse Repurchase Agreements	92 days	20%	10%	A-1/P-1/F1*
Medium-Term Corporate Notes	5 years/180 days	30%	10%	A-1/P-1/F1*
Collateralized Mortgage Obligations	5 years/180 days	20%	10%	A-1/P-1/F1*
Local Agency Investment Fund	not specified	None	--	A-1/P-1/F1*
Money Market Mutual Funds	not specified	20%	10%	A-1/P-1/F1*

*Per Investment Policy, the issuers short-term credit ratings shall be at or above A-1 by Standard and Poor's (S&P), P-1 per Moody's, and if available, F1 per Fitch, and the issuer's long-term credit ratings shall be at or above A by (S&P), A2 by Moody's , and A by Fitch.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

In addition to the restrictions and guidelines cited in the Code, the County Board of Supervisors annually adopts an "Annual Investment Policy for the Pooled Investment Fund" (Investment Policy). The Investment Policy is prepared by the Department of Finance and is based on criteria cited in the Code. The Investment Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive Investment Policy, and therefore complied with the above-cited Code sections.

The Commission does not have a deposit or investment policy that addresses a specific type of risk. Investments held in the County's investment pool are available on demand and are reported at amortized cost, which approximates fair value.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Under the County's Policy, the dollar-weighted average maturity on all securities shall be equal to or less than three years. As of June 30, 2022, of the County's $7.3 billion in investments held by the Treasurer, 70 percent of the investments have a maturity of six months or less. The weighted average days to maturity for the entire portfolio was 275 days.

Credit Risk – This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The County is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by Standard & Poor's and Moody's rating agencies. In addition, the County is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are not rated.

Custodial Credit Risk – This is the risk that in the event a financial institution or counterparty fails, the County would not be able to recover the value of its deposits and investments. As of June 30, 2022, the County has cash deposits with financial institutions in excess of the federal depository insurance limits of $250,000. Banks are required to pledge securities as collateral. Investments are held with a safekeeping agent in the name of the County.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. Treasury and agency securities are considered to be of the best quality grade, as such, there is no limitation on amounts invested in U.S. Treasury or agency securities per the Code.

Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County's ACFR. The County's ACFR may be obtained by contacting the Department of Finance at 700 H Street, Sacramento, CA 95814.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances of the Commission's governmental funds of $21,351,527 differs by ($1,046,722) from net position of governmental activities of $20,304,805 primarily from the long-term economic focus in the government-wide statement of net position versus the current financial resources focus in the governmental fund balance sheet. The effect of the differences is illustrated below:

Deferred outflows of resources, presented in the statement of net position, represents a consumption of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense) in the fund financial statements.	
Deferred outflows related to pensions (Note 5)	$ 700,702
Deferred outflows related to OPEB (Note 6)	15,228
Right-to-use leased assets used in governmental activities are not financial Resources, and therefore, are not reported in the funds (Note 7)	535,727
Long-term and other liabilities applicable to the Commission's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Net pension liability (Note 5)	(145,134)
Other postemployment benefits (OPEB) liability (Note 6)	(121,866)
Compensated absences (Note 8)	(327,735)
Right-to-use lease liability (Note 8)	(559,041)
Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) in the fund financial statements.	
Deferred inflows of resources related to pensions (Note 5)	(1,956,488)
Deferred inflows of resources related to OPEB (Note 6)	(79,211)
Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.	891,096
Total adjustment	$ (1,046,722)

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The change in fund balance for the General Fund, ($325,851), differs from the change in net position for governmental activities, $466,909, reported in the statement of activities and governmental fund revenues, expenditures, and change in fund balance by $141,058.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and change in fund balance and the government-wide statement of activities are as follows:

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	$ (28,911)
Governmental funds report amounts paid by the Commission for OPEB as expenditures. However, in the statement of activities, OPEB expense is measured as the change in the total OPEB liability and the amortization of deferred outflows and inflows of resources related to OPEB. This amount represents the net change in OPEB related amounts.	5,795
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the net change in pension related amounts.	393,578
Lease financing is reported as other financing sources and expenditures in governmental funds, however, the issuance of debt and acquisition of right-to-use leased assets increases long-term liabilities and capital assets, respectively, in the statement of net position, and does not affect the statement of activities.	
Lease liability issued	(620,892)
Right-to-use leased assets	620,892
Amortization expense related to right to use leased assets reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(85,165)
Government funds report debt service principal expense related to right of use leased assets as expenditures. However, in the statement of activities, GASB 87 requires a reduction in the current lease payable liability.	61,851
The change in unavailable Medi-Cal Administrative Activities (MAA) revenue reported in the statement of activities do not provide current financial resources, and are not reported as revenues in governmental funds.	119,761
Total adjustment	$ 466,909

NOTE 4 – DISAGGREGATED DUE TO/FROM BALANCES

Amounts due to the County represent contract payments for program services and administrative services provided to the Commission from the County. Amounts due from the County represent unapportioned interest earnings for the last quarter of fiscal year 2021-22.

Amounts due for the fiscal year 2021-22 from other government agencies represent distributions from the State First 5 for Proposition 10 funds and other matching grants, as well as amounts due from the State for MAA. Amounts due to other government agencies include contract payments for program related contracts.

Due To/From the County of Sacramento	Due To:	Due From:
County of Sacramento, Department of Finance	$ 70,655	$ 78,455
County of Sacramento, DHS	140,465	225,959
County of Sacramento, DCFAS	61,439	
Total Due To/From the County of Sacramento	$ 272,559	$ 304,414
Due To/From Other Government Agencies		
First 5, California		$ 892,505
State of California	$ 18,272	891,096
Sacramento County Office of Education	292,614	
Elk Grove Unified School District	196,202	
Folsom Cordova Unified School District	63,425	
Galt Joint Union School District	74,046	
Natomas Unified School District	128,466	
River Delta Unified School District	59,949	
Robla Elementary School District	57,373	
Sacramento City Unified School District	124,908	
San Juan Unified School District	81,490	
Twin Rivers Unified School District	130,180	
Total Due To/From Other Government Agencies	$ 1,226,925	$ 1,783,601

NOTE 5 – RETIREMENT PLAN

Plan Description - Employees of the Commission participate in the County's cost-sharing multiple-employer defined benefit retirement plan (Plan) administered by the Sacramento County Employees' Retirement System (SCERS). The Plan is governed by the Sacramento Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of Sacramento Board of Supervisors and/or the SCERS Board. SCERS issues a stand-alone financial report, which may be obtained by contacting Sacramento County Employees' Retirement System, 980 9th Street, Suite 1900 Sacramento, California 95814.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

Benefits Provided - SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting district become members of SCERS upon employment. There are separate retirement plans for Safety and Miscellaneous member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications. All other employees, including the Commission’s employees, are classified as Miscellaneous members. There are five tiers applicable to Miscellaneous members. Those hired prior to September 27, 1981 are included in Tier 1. Those hired after September 27, 1981 but prior to January 1, 2012 are included in Tier 2 or Tier 3 depending on date of hire and bargaining unit. County members hired after January 1, 2012 but prior to January 1, 2013 are included in Tier 4. New members hired on or after January 1, 2013 are designated as PEPRA Miscellaneous (Tier 5) and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 member retirees and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose area is capped at 4% for Tier 1 members and 2% for all other members eligible for a cost-of-living adjustment.

Contributions - Participating employers and active members (i.e., County), including the Commission and the Commission's employees, are required by statute to contribute a percentage of covered salary to the Plan. Contributions to the Plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The SCERS's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when legally due. Each employer of SCERS is obligated by state law to make all required contributions to the Plan and depending on the participating employer and their employees' tiers. The average employer contribution rate for the fiscal year ended June 30, 2022 (based on the June 30, 2021 valuation) was 23.15% of covered employee payroll. The Commission's proportionate share of the County's contribution to the Plan was $330,388 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the Commission reported a liability of $145,134 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the County's net pension liability was based on the Commission's fiscal year 2021 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2021, the Commission's proportion was 0.0344 percent, which was a decrease of 0.0589 percent from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the Commission recognized pension income of ($69,347). At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 121,956	
Net differences between projected and actual investment earnings on pension plan investments		1,608,226
Changes in assumptions	179,845	273,106
Changes in proportion	68,513	75,156
Employer contributions paid by the Commission to County subsequent to the measurement date	330,388	
Total	$ 700,702	$ 1,956,488

NOTE 5 – RETIREMENT PLAN (CONTINUED)

The $330,388 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission's proportion of the County's pension plan will be recognized in pension expense as follows:

Year ending June 30	
2023	$ (414,144)
2024	(414,144)
2025	(414,144)
2026	(343,742)
Total	$ (1,586,174)

Actuarial assumptions - The Commission's proportion of the County's total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial method and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age actuarial cost method
Actuarial Assumptions:	
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation	2.75%
Real across-the-board salary increase	0.25%
Salary increases	4.25% to 10.50%, varying by service, including inflation

The Plan applied the contingency reserve for the June 30, 2021 valuation to reduce the Plan net pension liability measured as of June 30, 2021.

Mortality rates for miscellaneous members used in the latest actuarial valuation dated June 30, 2021 are based on the General Healthy Retiree Amount-Weighted Above-Median mortality table (separate tables for male and females) with rates increased by 10% projected generationally with the two-dimensional mortality improvement scale MP-2019. For Miscellaneous members that are disabled, the ages are set based on the General Healthy Retiree Amount-Weighted Above-Median mortality table (separate tables for male and females) projected generationally with the two-dimensional mortality improvement scale MP-2019.

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

NOTE 5 – RETIREMENT PLAN (CONTINUED)

	As of June 30, 2021 Valuation Date	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Large Cap Equity	18.00%	5.40%
U.S. Small Cap Equity	2.00%	6.20%
International Developed Equity	16.00%	6.50%
Emerging Markets Equity	4.00%	8.80%
Core/Core Plus Bonds	10.00%	1.10%
High Yield Bonds	1.00%	3.40%
Global Bonds	3.00%	-
Bank Loans	1.00%	3.90%
U.S. Treasury	5.00%	0.30%
Real Assets	7.00%	8.10%
Liquid Real Return	2.00%	4.50%
Real Estate	5.00%	4.60%
Value Added Real Estate	2.00%	8.10%
Diversifying Abs. Return	7.00%	2.40%
Growth Oriented Abs. Return	3.00%	2.40%
Private Credit	4.00%	5.60%
Private Equity	9.00%	9.40%
Cash	1.00%	-
Total	100.00%	

Discount rate - The discount rate used to measure the Total Pension Liability (TPL) was 6.75% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

NOTE 5 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to changes in the discount rate - The following presents the Commission's proportionate share of the Net Pension Liability (NPL) of the County as of the measurement date of June 30, 2021, calculated using the discount rate of 6.75%, as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Commission's proportionate share of the County's net pension liability	$ 758,520	$ 145,134	$ (357,160)

Pension plan fiduciary net position – Detailed information about the County's collective net pension liability is available in the County's separately issued ACFR. The County of Sacramento's ACFR may be obtained on the internet at http://www.finance.saccounty.net/AuditorController/Pages/AcctGeneral.aspx.

Detailed information about the SCERS' fiduciary net position is available in a separately issued SCERS annual comprehensive financial report. That report may be obtained on the internet at: www.retirement.saccounty.net/Pages/FinancialInformation.aspx.

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description - The Commission is a component unit of the County, which provides medical and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The County has established a Retiree Healthcare Plan (HC Plan), and participates in a single-employer plan and it does not issue a publicly available report. In September 2020 and September 2021, the Board of Supervisors approved the Retiree Medical and Dental Insurance Program Administrative Policy for calendar years 2021 and 2022, respectively. The County provides access to group medical insurance and dental insurance, medical and dental offset payments to a specific group of eligible retirees as a result of a settlement. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For financial reporting purposes, the Commission reports a proportionate share of the County's collective total OPEB liability, OPEB expense, and deferred inflows and outflows of resources related to OPEB. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant.

Benefits Provided - All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, (2) they were enrolled in the annual plan previously approved by the County (continuous coverage), or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year. Total benefits paid by the Commission during the year ended June 30, 2022 is $5,288.

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

At June 30, 2021, there were 13 employees covered by the benefit terms under the HC Plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022 the Commission reported a liability of $121,866 for its proportionate share of the total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, with a measurement date of June 30, 2021. The Commission's proportion of the total OPEB liability was based on the total full-time equivalents (FTE) of the Commission relative to the total FTEs of the County. At June 30, 2021, the Commission's proportion was 0.1035 percent, which was a decrease of 0.0022 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Commission recognized OPEB expense of $2,119. At June 30, 2022, the Commission 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
Amounts paid for OPEB subsequent to measurement date	$ 5,288	
Changes in proportion	341	$ 12,816
Differences between expected and actual experience		29,389
Changes in assumptions	9,599	37,006
Total	$ 15,228	$ 79,211

The $5,288 reported as deferred outflows of resources related to OPEB resulting from amounts paid by the Commission subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	
2023	$ (13,005)
2024	(13,005)
2025	(13,005)
2026	(13,005)
2027	(13,005)
2028-2029	(4,246)
Total	$ (69,271)

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions - The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial method and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Valuation Date	June 30, 2021
Contribution Policy	No pre-funding
Inflation	2.50%
Medical Trend	Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Mortality, Retirement, Disability, Termination	6/30/21 SCERS valuation assumptions
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Salary Increase	2.75%
Healthcare Participation	45%

Discount Rate - The discount rate used to measure the total OPEB liability was 2.16 percent for the plan and was based on the Bond Buyer 20-Bond GO Index.

Changes in the total OPEB liability - The changes in the total OPEB liability are as follows:

	County Plan Total	Commission's Proportionate Share
Balance at June 30, 2021	$ 136,572,000	$ 144,310
Changes recognized for the measurement period:		
Service Cost	11,405,000	11,802
Interest	3,210,000	3,322
Actual vs. expected experience	(27,942,000)	(28,915)
Changes of assumptions	36,000	37
Proportion Change		(2,981)
Benefit Payments	(5,517,000)	(5,709)
Net Changes	(18,808,000)	(22,444)
Balance at June 30, 2022	$ 117,764,000	$ 121,866

First 5's proportion of the total OPEB Liability	0.1035%
First 5's proportionate share of the OPEB liability	$ 121,866

NOTE 6 – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate - The following presents the Commission's proportionate share of the total OPEB liability, as well as what the Commission's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1.00% Decrease (1.16%)	Current Discount Rate (2.16%)	1.00% Increase (3.16%)
Total OPEB Liability	$ 131,180	$ 121,866	$ 113,134

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

	1% Decrease (5.5% decreasing to 2.75% in 2076)	Current Trend (6.5% decreasing to 3.75% in 2076)	1% Increase (7.5% decreasing to 4.75% in 2076)
Total OPEB Liability	$ 108,827	$ 121,866	$ 137,102

NOTE 7 – LEASES

On May 6, 2021 the Commission approved a new lease agreement with Gateway Oaks, LLC for an 80 month term through March 31, 2028. The lease commenced August 1, 2021. There is no rent for months 1-3 and 12-15, the rent increases every year by $0.05/sq. ft. The lease has no optional term or termination clauses.
Total right to use asset value at lease inception is $620,892.

Right to use activity for the Commission for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Addition	Deletion	Ending Balance
Right-to-use assets				
Leased building		$ 620,892		$ 620,892
Less accumulated amortization for:				
Leased building		(85,165)		(85,165)
Right-to-use assets, net		$ 535,727		$ 535,727

NOTE 7 – LEASES (CONTINUED)

The Commission has recorded a right to use lease asset as a result of implementing GASB Statement No. 87. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use asset is amortized on a straight-line basis over the life of the related lease.

The Commission's lease arrangement does not contain any material residual value guarantees. As the interest rate implicit in the Commission's lease is not readily determinable, the Commission utilized the County's incremental borrowing rate to discount the lease payments.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 71,425	$ 4,945	$ 76,370
2024	82,624	4,232	86,856
2025	103,327	3,314	106,641
2026	106,672	2,343	109,015
2027	110,048	1,341	111,389
Thereafter	84,945	330	85,275
	$ 559,041	$ 16,505	$ 575,546

NOTE 8 – LONG-TERM LIABILITIES

The Commission's long-term liabilities are comprised of the compensated absences and the right to use lease liability. The compensated absences long-term liability increased by $28,911 during the fiscal year ended June 30, 2022. The Commission has recorded a right to use lease liability as a result of implementing GASB Statement No. 87.

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2022:

	Beginning Balances	Addition	Deletion	Ending Balances	Due Within One Year	Due After One Year (LT)	Change in Balance
Governmental activities:							
Compensated absences	$ 298,824	$ 168,243	$ (139,332)	$ 327,735	$ 36,606	$ 291,129	$ 28,911
Lease liability		620,892	(61,851)	559,041	71,425	487,616	559,041
Governmental activities long-term liability	$ 298,824	$ 789,135	$ (201,183)	$ 886,776	$ 108,031	$ 778,745	$ 587,952

NOTE 9 – FUND BALANCE

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

A detailed schedule of fund balance as of June 30, 2022, is shown below:

Result Area	Assigned	Unassigned
Health	$ 768,520	
Nutrition	271,399	
Preventive Services Access	13,340	
Child Care Access	21,876	
Quality Child Care	370,514	
School Readiness	1,863,673	
Empowered Families	2,987,607	
CalWORKS Funded	20,951	
Program Management	154,162	
Evaluation	237,826	
Systems Improvement	163,937	
Administration	525,564	
Subtotals	$ 7,399,369	$ 13,952,158
Fund Balance, End of Period		$ 21,351,527

NOTE 10 – RELATED PARTY TRANSACTIONS

In accordance with SCC §2.99.110(b), the Commission is required to use the County for its personnel, legal, financial and other administrative services. The Commission incurred expenditures/expenses totaling $458,620 for these services during the fiscal year ended June 30, 2022. Additionally, during the fiscal year ended June 30, 2022, the Commission paid the County's Health and Human Services Department $536,465 for programmatic partner services.

NOTE 11 – PROGRAM EVALUATION

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

The Commission spent $468,818 on program evaluation during the fiscal year.

NOTE 12 – CONTINGENCIES

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on the financial position or changes in financial position of the Commission.

NOTE 13 – FUTURE GASB PRONOUNCEMENTS

The GASB releases new accounting and financial reporting standards which may have a significant impact on the Commission's financial reporting process. Future new standards which may impact the Commission include the following:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021, or the 2022-2023 fiscal year, as postponed by GASB Statement No. 95. The Commission has not determined the effect, if any, of this Statement on its financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022, or the 2022-2023 fiscal year. The Commission has not determined the effect, if any, of this Statement on its financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide 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. This Statement is effective June 15, 2022 or the 2022-2023 fiscal year. The Commission has not determined the effect, if any, of this Statement on its financial statements.

GASB Statement No. 98 – In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report *and its acronym* ACFR. This Statement is effective for reporting periods beginning after December 15, 2021. The Commission has determined that there was no effect on its financial statements.

NOTE 13 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022.* The primary objectives of this Statement are (1) to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: The requirements related to leases, PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, or the 2022-2023 fiscal year. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the Scope of GASB 53 are effective for fiscal years beginning after June 15, 2023, or the 2023-2024 fiscal year. The Commission has not determined the effect, if any, of this Statement on its financial statements.

GASB Statement No. 100 - In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* 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. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, or the 2023-2024 fiscal year. The Commission has not determined the effect, if any, of this Statement on its financial statements.

GASB Statement No. 101 - In June 2022, GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, or the 2023-2024 fiscal year. The Commission has not determined the effect, if any, of this Statement on its financial statements.

NOTE 14 – COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally. COVID-19 is believed to have impacted both revenues and expenditures in a financially positive way. As workers begin to return to work at the office in higher numbers, statewide collection of tobacco tax is showing signs of retuning to a natural decline rate but still remains 15.9% higher than the immediate twelve months prior to the pandemic. This revenue source typically decreases by 3% annually due to cessation of consumer tobacco use. Expenditures for contracted services decreased as contractors provided services virtually that were normally provided in person. Additionally, some contractors are believed to have received Federal Relief funds to pay employees that were normally funded by First 5. At this time, the Commission cannot estimate the impact of COVID-19 on its future years' financial statements as working and service delivery conditions continue to return to pre-COVID-19 models.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S NET PENSION LIABILITY LAST TEN YEARS*

	Commission's proportion of the net pension liability	Commission's proportionate share of the County's net pension liability	Commission's covered payroll	Commission's proportionate share of the County net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability	Measurement date
2022	0.0344%	$ 145,134	$ 1,374,514	10.55%	96.76%	June 30, 2021
2021	0.0933%	$ 2,531,563	$ 1,352,439	187.18%	78.62%	June 30, 2020
2020	0.0832%	$ 1,725,387	$ 1,244,840	138.60%	82.57%	June 30, 2019
2019	0.1008%	$ 1,821,448	$ 1,316,282	138.38%	82.51%	June 30, 2018
2018	0.1151%	$ 2,225,697	$ 1,422,543	156.46%	80.37%	June 30, 2017
2017	0.1139%	$ 1,845,611	$ 1,312,730	140.59%	81.40%	June 30, 2016
2016	0.0986%	$ 1,059,387	$ 1,177,469	89.97%	87.26%	June 30, 2015
2015	0.0957%	$ 692,823	$ 1,261,514	54.92%	91.02%	June 30, 2014

Notes to Schedule:

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

1) Covered payroll represents pensionable compensation for the fiscal year of the measurement period.
2) In FY2017-18, there was a reduction in the discount rate from 7.5% to 7.0%.
3) In FY2020-21, there was a reduction in the discount rate from 7.0% to 6.75%.
4) In FY2021-22, the Plan's contingency reserve was applied to reduce the Plan's net pension liability as of the June 30, 2021 measurement date.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST TEN YEARS*

Fiscal Year	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Commission's covered payroll	Contributions as a percentage of covered payroll
2022	$ 330,388	$ (330,388)	$ -	$ 1,427,321	23.15%
2021	$ 294,167	$ (294,167)	$ -	$ 1,374,514	21.40%
2020	$ 264,518	$ (264,518)	$ -	$ 1,352,439	19.56%
2019	$ 221,647	$ (221,647)	$ -	$ 1,244,840	17.81%
2018	$ 198,349	$ (198,349)	$ -	$ 1,316,282	15.07%
2017	$ 227,808	$ (227,808)	$ -	$ 1,422,543	16.01%
2016	$ 233,176	$ (233,176)	$ -	$ 1,312,730	17.76%
2015	$ 250,640	$ (250,640)	$ -	$ 1,177,469	21.29%

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

1) Covered payroll represents pensionable compensation for the fiscal year.

FIRST 5 SACRAMENTO COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF SACRAMENTO, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S TOTAL OPEB LIABILITY LAST TEN YEARS*

Fiscal Year	Commission's proportion of the total OPEB liability	Commission's proportionate share of the total OPEB liability	Commission's covered-employee payroll	Commission's proportionate share of the total OPEB liability as a percentage of covered-employee payroll	Measurement date
2022	$ 121,866	0.1035%	$ 986,751	12.35%	June 30, 2021
2021	$ 144,310	0.1057%	$ 997,623	14.47%	June 30, 2020
2020	$ 121,403	0.1050%	$ 948,228	12.80%	June 30, 2019
2019	$ 182,410	0.1141%	$ 933,188	19.55%	June 30, 2018
2018	$ 177,515	0.1173%	$ 1,024,898	17.32%	June 30, 2017

Notes to Schedule:

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

1) The Commission has no assets accumulated in a trust that meets the criteria identified in paragraph 4 of GASB Statement 75.

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*

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the First 5 Sacramento Commission (Commission), a component unit of the County of Sacramento, California, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 20, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Sacramento, California
October 20, 2022

Independent Auditor's Report on State Compliance

Board of Commissioners
First 5 Sacramento Commission
Sacramento, California

Report on Compliance

Opinion

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

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

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion of the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed; and

- select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

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

Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 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 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.

Macias Gini & O'Connell LLP

Sacramento, California
October 20, 2022

FIRST 5 SACRAMENTO COMMISSION
Financial Planning Committee
October 27, 2022

Analysis of Financials for Period July 1, 2022 to September 30, 2022

Report Period: 3 months
% of Fiscal Year Complete: 25%

►►► Detail review of selected accounts and accounts greater than 30% expended compared to budget:

20202900 Bus/Conf Expense
Budget: $9,000
Expended: $8,548 (95%)
These expenses reflect cost associated with business and conference expenses. There is a high balance as these funds were used to send 1 staff, 1 commissioner and 4 community members to the Parents as Leaders training.

20206100 Membership Dues
Budget: $32,540
Expended: $34,383 (106%)
Used to pay our membership dues in the First 5 Association and is only paid once per year. $2,800 of this balance was miscoded and will be moved out of the account.

20222700 Cell Phones
Budget: $3,000
Expended: $1,480 (49%)
This general ledger item is for cost associated with staff cell phones, cell service costs for all First 5 phones is typically $250/month. The high amount in this account reflects the purchase of a new cell phone for the Communication and Media Planner that was not budgeted.

20250500 Accounting Svs
Budget: $38,138
Expended: $14,296 (37%)
These expenses reflect cost associated to pay the Department of Finance for accounting services during the annual independent audit. Cost are mostly incurred at the end and beginning of fiscal years.

20250600 Investment Services
Budget: $30,741
Expended: $12,313 (40%)
These funds reflect the payment of service fees to the Local Government Agency (LGA) for processing Medi-Cal invoices. Typical fee is 6 to 7 percent of the invoice. The higher amount is the result of processing two quarters worth of invoices.

►►► Revenue Summary

The State is experiencing delays in processing Proposition 10 payments and have not made any distributions in the first quarter. The Department of Human Assistance also experienced delays in executing a revenue agreement with First 5, so no revenues were collected in the first quarter. However, the contract was recently executed and first quarter invoices are now being processed. First 5 did receive an ARPA reimbursement for qualified employee salaries, this is a one-time reimbursement.

- CMAA Payment Fy20/21 Q1 F5 & B&B Claims $205,213. This is a deferred revenue and therefore recognized as a current year income.
- ARPA $1,615

First 5 Sacramento Commission
Results of Operations
For the Fiscal Year Through September 30, 2022

	Account Description	Budget	Total Actual	% of Budget
	Salaries	$1,534,712	$355,696	23%
	Benefits	835,961	193,869	23%
	Total Salaries & Benefits	**$2,370,673**	**$549,564**	**23%**
20202400	Periodical/Suscripts	55	-	0%
20202900	Bus/Conference Exp	9,000	8,548	95%
20203100	Business Travel	1,200	-	0%
20203500	Ed/Training Svc	26,800	998	4%
20203600	Ed/Training Sup	29,370	7,203	25%
20203800	Employee Recogn	100	-	0%
20203900	Emp Transportation	3,000	25	1%
20205200	Ins Premium	40,325	-	0%
20206100	Membership Dues	32,540	34,383	106%
20207600	Office Supplies	13,511	190	1%
20208100	Postal Svc	100	-	0%
20208500	Printing Svc	3,000	560	19%
20222700	Cell Phones	3,000	1,480	49%
20226100	DTECH Equipment Maintenance	609	152	25%
20250500	Accounting Svc	38,138	14,296	37%
20250600	Investment Svc	30,741	12,313	40%
20253100	Legal Svc	13,000	-	0%
20259100	**Other Prof Svc**	**18,597,532**	**4,018,213**	**22%**
20259105	Media Svc	56,000	11,223	20%
20271100	*DTECH Deskitop Support*	*12,000*	3,013	25%
20281200	Data Processing Sup	5,129	132	3%
20281202	MS Enterprise Agrmt (EA)	871	-	0%
20289800	Other Oper. Sup	47,432	-	0%
20289900	Other Oper. Svc	700	147	21%
20291000	Countywide IT Services - ACP	10,351	2,584	25%
20291100	DTech Labor - ACP	5,824	1,459	25%
20291200	DTech Fee - ACP	12,046	3,330	28%
20291300	Auditor Svcs	38,100	3,447	9%
20291301	Finance General Accounting - ACP	1,263	316	25%
20291302	Finance Payroll Services - ACP	557	139	25%
20291303	Finance Payment Services - ACP	1,698	425	25%
20291305	Finance Internal Audits - ACP	450	113	25%
20291306	Finance System Control & Recon - ACP	881	220	25%
20291400	Co Exec Cab Svc	8,479	2,120	25%
20291600	Wan Allocation	17,231	4,307	25%
20291700	Alarm Svcs - ACP	3,122	781	25%
20292100	GS PRINTING SVC	4,500	-	0%
20292200	GS MAIL/POSTAGE	200	12	6%
20292300	Messenger Services - ACP	4,427	1,138	26%
20292500	Purchasing Services - ACP	1,161	290	25%
20294200	Facility Use - ACP	641	160	25%
20294300	Lease Property - ACP	80,003	9,220	12%
20295102	Benefit Admin Svcs - ACP	2,081	520	25%
20295103	Employment Services - ACP	4,387	1,097	25%
20295104	Training Svcs - ACP	1,308	327	25%
20295105	DPS Dept Svcs Teams - ACP	8,457	2,114	25%
20295106	401A Plan Admin Svcs - ACP	207	52	25%
20295107	Labor Relations - ACP	1,628	407	25%
20296200	GS PARKING CHGS	2,000	142	7%
20298300	Surplus Property - ACP	510	128	25%
20298700	Telecommunication - ACP	17,986	4,208	23%
30348000	CW Cost Plan - ACP	9,807	-	0%
	Total Services & Supplies	**19,203,458**	**4,151,929**	**22%**
	Total Expenditures	**$21,574,131**	**$4,701,493**	**22%**
94941000	Interest	$199,016	-	0%
95953000	CalWORKs	$4,688,443	-	0%
95955500	Medi-Cal State Aid	396,103	205,213	52%
95956900	State - Prop 10 Monthly Allocation	9,687,058	-	0%
95956900	State - Prop 10 Backfill (Prop 56)	3,136,479	-	0%
95956900	State - SMIF	27,128	-	0%
95956900	State - HVCC	13,943	-	0%
95956900	State - CAPIT	444,000	-	0%
95959900	State - F5CA Refugee Assistance	570,000	-	0%
95959900	Federal Aid - CBCAP	51,521	-	0%
95959900	Federal Aid - CBCAP (ARPA)	428,895	-	0%
95959900	Federal Aid - BSF (ARPA)	990,000	1,615	0%
	Total Revenue	**$20,632,586**	**206,828**	**1%**

First 5 Sacramento Commission

Results of Operations

For the Fiscal Year Through September 30, 2022

	Account Description	Budget	Total Actual	*% of Budget*
	Salaries	$1,534,712	$355,696	*23%*
	Benefits	835,961	193,869	*23%*
	Total Salaries & Benefits	**$2,370,673**	**$549,564**	***23%***
20202400	Periodical/Suscripts	55	-	*0%*
20202900	Bus/Conference Exp	9,000	8,548	*95%*
20203100	Business Travel	1,200	-	*0%*
20203500	Ed/Training Svc	26,800	998	*4%*
20203600	Ed/Training Sup	29,370	7,203	*25%*
20203800	Employee Recogn	100	-	*0%*
20203900	Emp Transportation	3,000	25	*1%*
20205200	Ins Premium	40,325	-	*0%*
20206100	Membership Dues	32,540	34,383	*106%*
20207600	Office Supplies	13,511	190	*1%*
20208100	Postal Svc	100	-	*0%*
20208500	Printing Svc	3,000	560	*19%*
20222700	Cell Phones	3,000	1,480	*49%*
20226100	DTECH Equipment Maintenance	609	152	*25%*
20250500	Accounting Svc	38,138	14,296	*37%*
20250600	Investment Svc	30,741	12,313	*40%*
20253100	Legal Svc	13,000	-	*0%*
20259100	**Other Prof Svc**	**18,597,532**	**4,018,213**	***22%***
20259105	Media Svc	56,000	11,223	*20%*
20271100	*DTECH Deskitop Support*	*12,000*	3,013	*25%*
20281200	Data Processing Sup	5,129	132	*3%*
20281202	MS Enterprise Agrmt (EA)	871	-	*0%*
20289800	Other Oper. Sup	47,432	-	*0%*
20289900	Other Oper. Svc	700	147	*21%*
20291000	Countywide IT Services - ACP	10,351	2,584	*25%*
20291100	DTech Labor - ACP	5,824	1,459	*25%*
20291200	DTech Fee - ACP	12,046	3,330	*28%*
20291300	Auditor Svcs	38,100	3,447	*9%*
20291301	Finance General Accounting - ACP	1,263	316	*25%*
20291302	Finance Payroll Services - ACP	557	139	*25%*
20291303	Finance Payment Services - ACP	1,698	425	*25%*
20291305	Finance Internal Audits - ACP	450	113	*25%*
20291306	Finance System Control & Recon - ACP	881	220	*25%*
20291400	Co Exec Cab Svc	8,479	2,120	*25%*
20291600	Wan Allocation	17,231	4,307	*25%*
20291700	Alarm Svcs - ACP	3,122	781	*25%*
20292100	GS PRINTING SVC	4,500	-	*0%*
20292200	GS MAIL/POSTAGE	200	12	*6%*
20292300	Messenger Services - ACP	4,427	1,138	*26%*
20292500	Purchasing Services - ACP	1,161	290	*25%*
20294200	Facility Use - ACP	641	160	*25%*
20294300	Lease Property - ACP	80,003	9,220	*12%*
20295102	Benefit Admin Svcs - ACP	2,081	520	*25%*
20295103	Employment Services - ACP	4,387	1,097	*25%*
20295104	Training Svcs - ACP	1,308	327	*25%*
20295105	DPS Dept Svcs Teams - ACP	8,457	2,114	*25%*
20295106	401A Plan Admin Svcs - ACP	207	52	*25%*
20295107	Labor Relations - ACP	1,628	407	*25%*
20296200	GS PARKING CHGS	2,000	142	*7%*
20298300	Surplus Property - ACP	510	128	*25%*
20298700	Telecommunication - ACP	17,986	4,208	*23%*
30348000	CW Cost Plan - ACP	9,807	-	*0%*
	Total Services & Supplies	**19,203,458**	**4,151,929**	***22%***
	Total Expenditures	**$21,574,131**	**$4,701,493**	**22%**
94941000	Interest	$199,016	-	*0%*
95953000	CalWORKs	$4,688,443	-	*0%*
95955500	Medi-Cal State Aid	396,103	205,213	*52%*
95956900	State - Prop 10 Monthly Allocation	9,687,058	-	*0%*
95956900	State - Prop 10 Backfill (Prop 56)	3,136,479	-	*0%*
95956900	State - SMIF	27,128	-	*0%*
95956900	State - HVCC	13,943	-	*0%*
95956900	State - CAPIT	444,000	-	*0%*
95959900	State - F5CA Refugee Assistance	570,000	-	*0%*
95959900	Federal Aid - CBCAP	51,521	-	*0%*
95959900	Federal Aid - CBCAP (ARPA)	428,895	-	*0%*
95959900	Federal Aid - BSF (ARPA)	990,000	1,615	*0%*
	Total Revenue	**$20,632,586**	**206,828**	***1%***

First 5 Commission Sacramento
Results of Operations
For the Period Ending September 30, 2022

Descriptions	Budget	Actual	(Over) Under Budget	% Remaining Budget
A. REVENUE				
Tobacco Tax Allocation	12,850,665	-	12,850,665	
Medi-Cal Administrative Activities (MAA)	396,103	205,213	190,890	
CBCAP/CAPIT	495,521	-	495,521	
Interest Earnings	199,016	-	199,016	
CalWORKs HVP	4,688,443	-	4,688,443	
HVCC	13,943	-	13,943	
ARPA BSF/CBCAP	1,418,895	1,615	1,417,280	
F5CA Refugee Support	570,000	-	570,000	
TOTAL SOURCES OF FUNDS	**20,632,586**	**206,828**	**20,425,759**	**99%**
B. FUNDED PROGRAMS				
Health	***1,496,357***	***352,268***	***1,144,089***	**76%**
Personnel	187,710	42,860	144,849	
Professional Svcs	1,285,535	305,315	980,220	
Media & Program Support	23,112	4,093	19,019	
Nutrition	***527,864***	***124,379***	***403,485***	**76%**
Personnel	42,817	9,642	33,175	
Professional Svcs	477,134	113,319	363,814	
Media & Program Support	7,914	1,418	6,496	
Medical, Dental &Mental Health Access	***37,939***	***8,478***	***29,461***	**78%**
Personnel	31,004	7,208	23,796	
Professional Svcs	-	-	-	
Media & Program Support	6,935	1,270	5,665	
Child Care Access	***44,700***	***10,170***	***34,531***	**77%**
Personnel	40,786	9,576	31,210	
Professional Svcs	-	-	-	
Media & Program Support	3,914	593	3,321	
Quality Childcare	***719,440***	***170,186***	***549,255***	**76%**
Personnel	40,786	9,576	31,210	
Professional Svcs	655,115	155,590	499,525	
Media & Program Support	23,539	5,020	18,519	
School Readiness	***3,593,589***	***851,653***	***2,741,935***	**76%**
Personnel	142,263	33,375	108,888	
Professional Svcs	3,418,002	811,775	2,606,227	
Media & Program Support	33,323	6,503	26,821	
Empowered Families	***6,374,459***	***1,511,592***	***4,862,867***	**76%**
Personnel	154,445	36,370	118,076	
Professional Svcs	6,140,998	1,458,487	4,682,511	
MAA Fees	24,110	12,313	11,797	
Media & Program Support	54,905	4,423	50,483	
CalWORKs	***4,675,817***	***1,107,632***	***3,568,184***	**76%**
Personnel	189,362	44,184	145,177	
Professional Svcs	4,465,810	1,060,630	3,405,180	
Media & Program Support	20,645	2,818	17,827	
Home Visiting Collaboration	***13,943***	***8,358***	***5,585***	**40%**
Systems Optimization & Sustainability	**279,468**	**67,411**	***212,057***	**76%**
Building Strong Families (ARPA)	**992,165**	**14,224**	***977,941***	**99%**
CBCAP Augmentation (ARPA)	**430,143**	**9,042**	***421,101***	**98%**
Refugee Family Support	**570,367**	**22,237**	***548,130***	**96%**
Program Management	**312,557**	**76,836**	***235,721***	**75%**
Total Funded Programs	**20,068,808**	**4,334,465**	**15,734,342**	**78%**
C. OPERATING EXPENSES	***1,092,546***	***271,397***	***821,149***	**75%**
Personnel	715,638	173,748	541,891	
Contracts	50,000	29,965	20,035	
Direct Operating Expenses	198,612	55,227	143,385	
Allocated Operating Expenses	128,296	12,458	115,837	
D. PROGRAM EVALUATION	**412,777**	**95,631**	**317,146**	**77%**
TOTAL EXPENDITURES	**21,574,131**	**4,701,493**	**16,872,638**	**78%**