



SAN MATEO CONSOLIDATED FIRE DEPARTMENT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

San Mateo Consolidated Fire Department

Foster City, California

Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

Prepared by
City of San Mateo Finance Department

**San Mateo Consolidated Fire Department
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Table of Contents	i
Letter of Transmittal.....	iii
Directory of Fire Board Members	xii
Organizational Chart	xiii
Executive and Command Staff.....	xiv
<u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities and Changes in Net Position.....	23
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet.....	28
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position.....	31
Proprietary Funds Financial Statements:	
Statement of Net Position	34
Statement of Revenues, Expenses, and Changes in Net Position	35
Statement of Cash Flows	36
Notes to the Basic Financial Statements	41
Required Supplementary Information (Unaudited):	
Budgetary Information.....	65
Budgetary Comparison Schedules:	
General Fund	66
Fire Prevention Special Revenue Fund	67
Schedule of the SMC Fire’s Proportionate Share of the Net Pension Liability and Related Ratios.....	69
Schedule of Contributions - Pension.....	70
Schedule of Changes in Total OPEB Liability and Related Ratios	72

**San Mateo Consolidated Fire Department
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021
Table of Contents (Continued)**

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Required Supplementary Information (Unaudited) (Continued):	
All Internal Service Funds:	
Combining Statement of Net Position.....	76
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	77
Combining Statement of Cash Flows.....	78
<u>STATISTICAL SECTION (Unaudited)</u>	
Table of Contents	83
Financial Trends:	
Net Position by Component.....	85
Changes in Net Position.....	86
Fund Balances of Governmental Funds.....	87
Changes in Fund Balances of Governmental Funds	88
Revenue Capacity:	
Governmental Funds Revenues by Sources.....	89
Governmental Activities Major General Revenues By Source.....	90
Demographic and Economic Information:	
Demographic and Economic Statistics	91
Operating Information:	
Operating Indicators by Function	92
Capital Assets Statistics	93
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	
	95



San Mateo Consolidated Fire Department
1040 East Hillsdale Blvd
Foster City, California 94404
p: 650.522.7900
f: 650.522.7901
<http://www.smcfire.org>

October 13, 2021

To the Board of Directors of the Joint Powers Authority Establishing the San Mateo Consolidated Fire Department and the Citizens of San Mateo, Belmont and Foster City, California.

As of the writing of this letter, the San Mateo Consolidated Fire Department (SMC Fire), the communities which we serve, the nation, and the world continue to adapt to the unprecedented times and rapidly evolving impacts associated with the novel coronavirus pandemic known as COVID-19. We continue to implement organizational changes to ensure the protection of our personnel to continue to provide quality services to our communities. SMC Fire has shown its resilience in response to the pandemic, and I am confident that our will and resolve will emerge from this significant challenge stronger and more determined.

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Mateo Consolidated Fire Department (SMC Fire) for the fiscal year ended June 30, 2021 in conformity with generally accepted accounting principles (GAAP) in the United States and as stipulated in the Joint Power Agreement, audited in accordance with generally accepted auditing standards in the United States by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the Department's framework of internal control provides reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Pun Group, LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on SMC Fire's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it. At the end of the ACFR, the auditor's provide their Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with Government Auditing Standards.

PROFILE OF THE ORGANIZATION



Basic Information

For nearly the past decade, the City of San Mateo, City of Belmont/Belmont Fire Protection District, and City of Foster City/Estero Municipal Improvement District had been working diligently to bring together fire services with the goal of providing a high level of shared fire, rescue, and emergency medical services to all three communities while also achieving a cost-efficient service delivery. The diligence culminated into the formation of a Joint Powers Authority (JPA) that was created on November 22, 2017 to form the San Mateo Consolidated Fire Department (SMC Fire). The Department commenced operations on January 13, 2019 and continues to provide integrated and comprehensive emergency response services to all three communities. SMC Fire has over 260 years of combined history providing emergency services to the cities of San Mateo, Belmont, and Foster City with a service area of approximately 38.5 square miles serving a population of over 164,000. The Department utilizes ten engine companies and

two ladder trucks from nine fire stations, and has offices in Foster City, housing administrative services and San Mateo, housing the Department's Community Risk Reduction Division (CRRD).

Over the past year, SMC fire has continued the process of consolidating, while keeping the organization's focus on providing the high level of service and response that we are committed to providing. As our frontline first responders continued to deal with the operational changes brought on by the pandemic, we also participated in process of standing up and operating clinics throughout the county to provide vaccinations to as many as possible. In addition, we have continued to support the efforts to battle the increasing number of wildfires throughout California. Our crews were on the frontline of several fires spanning several months of the year.

To continue our consolidation efforts and create an organization that will support our mission well into the future, we have solidified some of our key components, while also implementing necessary changes. Solidified components would include increased support and participation in our participative management program called FACT (Fire Action Consensus Team), All Officer Meetings, that bring all Company and Chief Officers together for a day long retreat style meeting twice a year, and a focused effort to completely review, update, and consolidate our Standard Operating Procedures and Guidelines.

Changes of significance in the organization included adjustments to our organizational structure at the Command Staff and Executive Staff level to improve efficiencies, be better prepared for possible expansion, and to have a positive impact on our budget. Additional actions taken to offset potential budgetary impacts of the pandemic included forfeiture of salary increases for some of our employee groups, freezing of several vacant positions in our Administration and CRR Divisions, as well as layoffs for all per diem employees.

Through strong leadership at every level and the dedication of a strong workforce, we have been able and navigate the challenges of the past year. As we begin to recover, I'm confident those same attributes will carry us through these difficult times as we forecast and prepare for the coming years.

History

The efforts to explore this collaboration began in 2010 when Foster City and San Mateo agreed to share duties of then Fire Chief Dan Belville. Over the next two years, the two cities expanded their partnership to include other key Command Staff positions. In 2013, under the leadership of Fire Chief Mike Keefe, the City of Belmont joined the partnership. At that time, the three cities agreed to share, jointly staff, and relocate the Foster City Ladder Truck to a centralized location that better served the three communities.

In 2015, newly appointed Fire Chief John Healy was directed by the three City Managers to study the viability of completing the merger of all fire protection services. The goal was to continue to provide the same high-quality emergency services in a more sustainable model. Staff from the cities and fire Departments explored available options and determined a JPA was the most viable option.

The JPA was officially established on November 22, 2017. The path was not without significant obstacles. To maintain the existing employees' pension benefits, State Senator Jerry Hill sponsored Senate Bill 24, which passed the legislature and was signed into law by Governor Jerry Brown. Other obstacles included amending the San Mateo City Charter and gaining agreement from the three cities on a governance model, cost apportionment and negotiating new labor agreements with the work force.

The final and perhaps most challenging hurdle, to gain approval as a new public agency from CalPERS, which had not recognized a JPA in the State in nearly a decade. The successful outcome of SMCFD's negotiations with CalPERS will now help pave the way for other agencies who wish to form a JPA to provide improved community services. This eight-year endeavor could not have succeeded without the commitment of City Council members, City Managers, City staff, and Fire labor leaders.

Governance

The Department is governed by a Board of Directors ("Board"), consisting of one voting representative and one alternate who are elected members from the governing boards of the three JPA Member Agencies. Each has the authority to deliver fire suppression, fire prevention, investigation, rescue and emergency medical services within their respective jurisdictions. All voting powers of the Department reside with the Board. Each Member Agency has the following weighted vote; San Mateo, sixty percent (60%), Belmont, twenty percent (20%) and Foster City, twenty percent (20%). The Board intends to strive for consensus following full discussion, however in the event that consensus cannot be reached, a weighted vote of eighty percent (80%) share is required to take action. Lastly, the Board annually selects one member to serve as Chair and one to serve as Vice Chair.

Administration

Following 17 months as the Fire Chief of SMC Fire, Ray Iverson left the department to continue his career with a different department. Following his resignation on May 28, 2021, the Fire Board appointed Deputy Chief Kent Thrasher to the position of Interim Fire Chief. Chief Thrasher has been with SMC Fire as the Deputy Chief of Operations since its commencement of operations on January 13, 2019. Prior to the consolidation, he was the Administrative Battalion Chief for the Belmont Fire Protection District (BFD), which was formerly part of the South County Fire Authority (SCFA). Chief Thrasher went through the ranks of SCFA and BFD starting in 1999.

In addition to having the authority to appoint the Department's Fire Chief and Legal Advisor, the Board may appoint a Treasurer from either one of the Member Agencies, or a third party qualified professional. In response, the Department renewed an agreement with the City of San Mateo to provide Finance and Human Resources services and the City's Finance Director serves as the Department's Treasurer. Additionally, the Department entered into a one-year agreement with the City of Foster City/Estero Municipal Improvement District to provide Information Technology (IT) services for the Department. Lastly, at the November 13, 2019 meeting, the Fire Board of Directors approved the establishment of a Chief Administrative Officer (CAO) position, the goal of which is to serve in an advisory capacity to the Fire Chief and Fire Board. The position is to be filled by a City Manager from one of the member agencies with SMC Fire.

In addition to planning, coordinating and supervising the operation of the Department on a day-to-day basis, the Fire Chief has the authority to 1) appoint a qualified employee of one of the Member Agencies, or contract with a third party qualified professional to act as Human Resources Director of the Department, and 2) appoint a qualified employee of the Department or one of the member agencies as the Fire Board Secretary. An employee with the City of San Mateo Human Resources Department continues to serve as the Department's Human Resources Director and the Department's Business Manager serves as the Fire Board Secretary.

Budget

The budget of the Department is organized on the basis of the fund accounting system, in which each fund is considered a separate budgeting entity. Government resources are allocated to and expenditures accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All operating funds' budgets lapse at the end of the adoption cycle. The Department also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts in the operating budget lapse one year after the end of the fiscal year. There is no formal provision in the budget for depreciation and compensated absences (i.e. accrued vacation and sick leave time), but they are budgeted as internal services fund charges.

The Department has a two-year budget cycle. The two-year budget process requires that the Department submits two one-year expenditure plans and revenue estimates to the Fire Board for approval. Only the first of the two-year budget will be adopted. In each alternate year, staff makes recommendations to the Fire Board for amending the second-year plan. The Fire Chief is responsible for containing expenditures within their budgeted appropriations as approved by the Fire Board. Subsequent to the adoption of the budget, all additional changes to the budget require Fire Board approval.

Prior to June 30th of each year, the Fire Chief shall prepare and present a proposed budget to the Board. The Board shall review the proposed budget and thereafter recommend approval of the budget to the governing boards of the Member Agencies. Once approved by the Member Agencies by a weighted vote of eighty percent (80%), the budget shall be effective.



COMMUNITY PROFILE

City of San Mateo

The City of San Mateo is situated 19 miles south of San Francisco and 30 miles north of San Jose. The City covers an area of 15.4 square miles and includes tidelands from the Bay to the east and coastal mountains to the west and based on the 2020 Census, is the largest city in San Mateo County with an estimated population of over 105,000. The City was incorporated in 1894 and was originally chartered in 1922. The current charter was adopted in 1971 and revised in 2002. Since 2002, there have been two other voter-approved amendments to the charter. San Mateo has a Council-Manager form of government. Five Council members serve at-large for four-year terms. The Council selects a Mayor from amongst its members each December for a one-year term. As of the date of this letter, the City is nearing completion of a transition to district elections. The City Manager is appointed by the Council and serves as chief executive officer responsible for the day-to-day administration of City affairs. The City Council also appoints a City Attorney. There are thirteen Advisory Boards and Commissions, ten of which are appointed by the City Council.

The City provides a full range of municipal services, including police, public works, parks and recreation, library, planning and zoning, building, sewer system, street maintenance, economic development, and general administrative services. The City offers 35 parks, six recreation centers, an 18-hole golf course, and three libraries including a state-of-the-art main library. California Water Service, a private company, provides water to City residents.

City of Belmont/Belmont Fire Protection District

Known for its wooded hills, view of the San Francisco Bay and stretches of open space, Belmont is a quiet residential community in the midst of culturally and technologically rich Bay Area. Since its incorporation in 1926, Belmont has grown from a small town of less than 1,000 residents to a community of over 27,000. Much of the city's population and housing growth occurred during the 1950's and 1960's during the post war periods.

The Belmont Fire Protection District formed as an independent district in 1928, providing fire service to the City of Belmont. Over the years the district's service area expanded to include portions of the Harbor Industrial Area (HIA) of unincorporated San Mateo County. The fire district operated independently until 1974, when it was established as a subsidiary district of the City of Belmont. As a subsidiary district, the Belmont City Council assumes governance as the district's Board of Directors. The fire district receives a segregated share of the 1% property tax revenue within the district's boundaries and is not subsidized by Belmont's general fund revenues.

The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The City Council is responsible for passing ordinances, adopting the budget, appointing commissions, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out policies and ordinances of the Council, for overseeing day-to-day operations of the City and for appointing the heads of the various Departments.

The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of highways, streets, and infrastructure; community development; parks; recreational activities; and general government activities.

Foster City/Estero Municipal Improvement District

The Estero Municipal Improvement District was created by the California State Legislature in 1960 as a general-purpose district with municipal power, including the power to issue municipal bonds. The Board of Directors of the District was created and issued over \$80 million in bonds to provide the infrastructure for a new, master-planned community, which was to be built on what then were a dairy farm and salt ponds adjacent to the San Francisco Bay. The bond proceeds were used to fill and reclaim the land and to finance construction of a man-made lagoon for storm drainage and recreation, a water system, a sewer system, a street system that included roads, bridges and streetlights, a parks system, and a fire station. The first residents of this new community known as "Foster City" moved into their homes in 1964.

The City was officially incorporated on April 27, 1971. The newly elected City Council also began to serve as the Board of Directors for the District. The City is a general law city and has a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the City Mayor/District Board President and four other members. There are five City Council/District Board Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council/Board, for overseeing day-to-day operations of the City/District, and for appointing the heads of the various Departments. The City Council/District Board appoint the City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members. The City Council/District Board is financially accountable for City/District operations and the Successor Agency. The Annual Comprehensive Financial Report includes all funds of the City/District, and

the Successor Agency's activities are reported under fiduciary fund type as private purpose trust fund.

Located on the San Francisco Peninsula, ten (10) miles south of the San Francisco International Airport, the City/District encompasses a geographic area of 12,345 acres, of which 9,726 acres (15.20 square miles) are part of San Francisco Bay and Belmont Slough, and 2,619 acres (4.09 square miles) are land. The City/District serves a population of 33,490 and provides a full range of municipal services, including police protection; fire suppression, prevention and advanced life support programs; water and wastewater services; construction and maintenance of streets, storm drains, lagoons, levees, bridges, and infrastructure; community development and redevelopment; maintenance and protection of the physical environment; construction and maintenance of parks and recreational amenities; leisure, entertainment and educational programs; and general government operations and services.

LONG-TERM FINANCIAL AND STRATEGIC PLANNING AND MAJOR INITIATIVES

Joint Training Agreement

The Department is continuing an agreement with Central County Fire Department (Burlingame, Hillsborough and Millbrae) and San Bruno Fire Department, the purpose of which has been to meet the training needs of each agencies firefighters and chief officers in a more cost effective manner through the consolidation of training personnel and resources. SMC Fire's participation with this training program will continue to allow the participating agencies' engine and truck companies as well as Battalion Chiefs to train together, receive required engine and truck training, and to allow paramedics to receive all mandated training in order to maintain certifications.

Hazardous Materials Emergency Response Services

The Department completed the second year of a three-year agreement providing Hazardous Materials Response Team services as requested by cities participating in the Countywide Emergency Services Joint Powers Authority (CES-JPA) and the County of San Mateo. During the prior fiscal year, the department expanded the number of trained Hazmat Technicians from 23 to 32.

Fire Battalion Chief Services

The Department renewed an agreement with the County of San Mateo for Fire Battalion Chief services. This position has been specifically tasked with working within the Sheriff's Office of Emergency Services (OES) for a one-year term to assist with, amongst other things, planning, developing, implementing and administering county-wide policies and programs related to emergency management, and acting as a liaison between OES and the San Mateo County Fire Chiefs Association. The agreement reimburses the salary and benefits of a full-time Battalion Chief position in the department for the period of July 1, 2020-June 30, 2021.

General Fund Long-Term Financial Plan

SMC Fire began to establish a reserve in the General fund that is equal to at least three months of annual operating expenditure budget to ensure service stability without putting a huge impact on the member agencies in the event of significant financial emergencies.

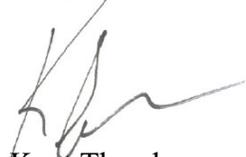
Despite the immediate and severe impact of the pandemic on the member agencies, SMC Fire is in a strong position where all three cities have a proven record of financial sustainability and prudent fiscal practices. Each city is committed to maintain the high level of fire protection services to their communities.

ACKNOWLEDGEMENTS

We acknowledge and appreciate all the individuals who assisted in both the preparation of this report and the administration of financial policies throughout the fiscal year. We also acknowledge the thorough and professional way our independent auditors, The Pun Group, conducted their audit.

In closing, we wish to express our sincere appreciation to the City Councils of the member agencies, the Board of Directors and the City Managers for their continued support.

Respectfully Submitted,



Kent Thrasher
Interim Fire Chief



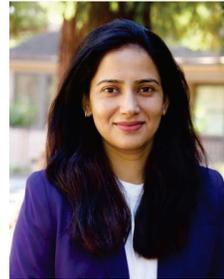
San Mateo Consolidated Fire Board Members



Joe Goethals
Board Chair



Warren Lieberman
Board Member



Richa Awasthi
Board Member

City Council Members

Belmont



Charles Stone
Mayor



Julia Mates
Vice Mayor



Warren Lieberman
Council Member/
Fire Board Representative



Davina Hurt
Council Member



Tom McCune
Council Member

Foster City



Sanjay Gehani
Mayor



Richa Awasthi
Vice Mayor/
Fire Board Representative



Jon Froomin
Council Member



Sam Hindi
Council Member



Patrick Sullivan
Council Member

San Mateo



Eric Rodriguez
Mayor



Rick Bonilla
Deputy Mayor



Amourance Lee
Council Member

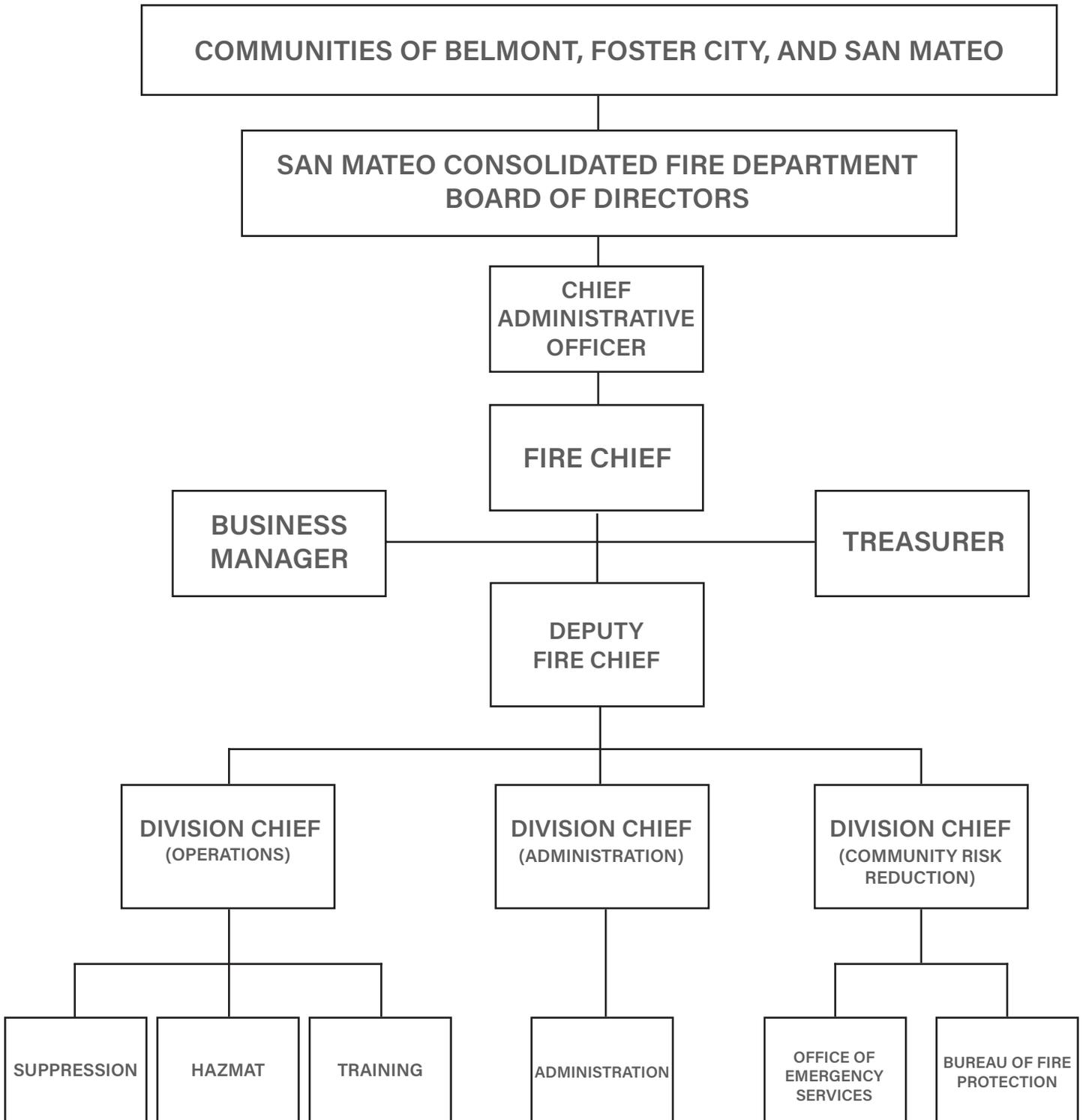


Diane Papan
Council Member



Joe Goethals
Council Member/
Fire Board Representative

Organizational Chart



BOARD OF DIRECTORS

Board Chair	Joe Goethals, City of San Mateo
Board Member	Warren Lieberman, City of Belmont
Board Member	Richa Awasthi, City of Foster City

SMC Fire Executive/Command Staff and City Officials

Interim Fire Chief	Kent Thrasher
Interim Deputy Fire Chief	Matt Turturici
Fire Marshall	Robert Marshall

Battalion Chiefs:

A Shift	Jeff Thorne
B Shift	Joe Novelli
C Shift	Anthony Agresti
Administrative Battalion Chief (OES)	Tony Blackman
Administrative Battalion Chief	Eric Mackintosh

Training Battalion Chief	Robert Cook
Administrative Battalion Chief	Bill Euchner
Acting Business Manager	Nicole Morales
Fleet/Facilities Manager	Saul San Filippo
Emergency Services Manager	vacant
Acting Management Analyst	Aleta Cook
Legal Counsel	William D. Ross

Elected Officials:

Joe Goethals
San Mateo Council Member/Fire Board Representative

Diane Papan
San Mateo Council Member/Fire Board Alternate

Warren Lieberman
Belmont Council Member/Fire Board Representative

Charles Stone
Belmont Mayor/Fire Board Alternate

Richa Awasthi
Foster City Vice Mayor/Fire Board Representative

Sanjay Gehani
Foster City Mayor/Fire Board Alternate



INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Consolidated Fire Department ("SMC Fire"), as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise SMC Fire's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SMC Fire, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of SMC Fire’s Proportionate Share of the Net Pension Liability and Related Ratios, Schedules of Contributions – Pension, and Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 3 through 15 and 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SMC Fire’s basic financial statements. The Introductory Section, Combining Internal Service Fund Financial Statements, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Internal Service Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021, on our consideration of SMC Fire’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 SMC Fire’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 SMC Fire’s internal control over financial reporting and compliance.



Management of the San Mateo Consolidated Fire Department (SMC Fire) offers readers of the financial statements this narrative overview and analysis of the financial activities of SMC Fire for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, the financial statements, and notes. The focus of the information herein is on the primary government.

FINANCIAL HIGHLIGHTS

- SMC Fire commenced operations on January 13, 2019. As such, the fiscal year ended June 30, 2021 marked SMC Fire's second full fiscal year.
- At the close of the fiscal year, SMC Fire had \$18.7 million in total assets, which was an increase of \$1.6 million compared to the prior fiscal year, largely due to the addition of \$2.4 million in non-depreciable assets, which reflects three new engines that were paid for, but will not be delivered and put into service until January 2022.
- SMC Fire had \$8.7 million in total liabilities at the end of the fiscal year, an increase of \$3.8 million or 76% compared to the prior year. This increase was largely attributable to an increase of \$2.7 million in the liability for Other Post-Employment Benefits (OPEB). In the prior fiscal year, the OPEB liability of \$0.6 million only reflected a partial year for the measurement period, which spanned the commencement of operations on January 13, 2019 through June 30, 2019. The OPEB liability for 2020-21 used the measurement period ending June 30, 2020, which represented a full year.
- SMC Fire's ending total net position as of June 30, 2021 of \$18.1 million, which was largely unchanged from the prior fiscal year. The total net position was comprised of \$7.4 million net investment in capital assets, and \$10.6 million in unrestricted net position. The \$2.0 million increase in net investment in capital assets and \$2.1 million decrease in unrestricted net position is primarily due to the planned purchase of three fire engines, which decreased cash and increased equipment in progress, as the engines will not be delivered and put into service until January 2022.
- SMC Fire accounted for \$46.8 million in expenses, an increase of \$8.0 million or 21%. The largest categorical increase was in personnel costs, which increased by 16.8 percent from \$34.3 million in the prior fiscal year to \$40.0 million in fiscal year 2020-21, primarily due to the increase in overtime compared to the prior fiscal year, which is a directly attributable to SMC Fire's response to mutual aid events and the ongoing escalation in severity of fire season.
- SMC Fire's Program Revenues totaled \$46.8 million, an increase of \$2.8 million or 6%, driven by a \$4.9 million increase in program revenues, which primarily consist of operating contributions from the member agencies, offset by a \$2.1 million decrease in general revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SMC Fire's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains the required supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of SMC Fire's finances, in a manner similar to private-sector businesses.

The Statement of Net Position presents information on all of SMC Fire's assets, liabilities, deferred outflows and inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether SMC Fire's financial position is improving or deteriorating.

The Statement of Activities reports how SMC Fire'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., loan receivables, and earned but unused compensated leaves).

The governmental activities reflect SMC Fire's core services, including fire, rescue, and emergency services to all three communities. These services are principally financed by contributions from the member agencies - the cities of Belmont, Foster City, and San Mateo.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SMC Fire uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SMC Fire can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance SMC Fire's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship (or differences) between them.

The governmental funds comprise two individual funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances of the General Fund and Fire Prevention Fund, each of which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 28 - 31 of this report.

SMC Fire adopts an annual appropriated budget for the General Fund and the Fire Prevention Fund. Budgetary comparison schedules are included in the Required Supplementary Information section, beginning on page 65, and have been provided to demonstrate compliance with these budgets in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

SMC Fire only maintains one type of **proprietary fund** to account for internal services. SMC Fire uses internal service funds to account for its vehicle and equipment replacement, benefits, dental, workers' compensation, and comprehensive liability. The internal service funds provide services that predominantly benefit governmental rather than business-type functions. They have been included within governmental activities to reflect the consolidation for internal services fund activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements combine internal service funds for presentation purposes. Individual fund data for the all internal service funds is provided in the form of combining statements in the Required Supplementary Information section of this report. The basic proprietary fund financial statements can be found on pages 34 - 36 of this report.

Notes to the Basic Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 41 - 61 of this report.

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the SMC Fire's budgetary comparison schedules for all major governmental funds. The combining statements supplementary information referred to earlier in connection with internal services funds are also presented in this section. Required supplementary information can be found on pages 65 - 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial performance. At the close of the fiscal year, SMC Fire's ending total net position was \$18.1 million, which reflected the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources. Of the total net position, \$7.4 million represented SMC Fire's net investment in capital assets, primarily fire vehicles and equipment, less any related debt used, if any, to acquire those assets that is still outstanding. SMC Fire uses these capital assets to provide services to the communities of the three member agencies - Belmont, Foster City, and San Mateo; consequently, these assets are not available for future spending. Although SMC Fire's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of SMC Fire's ending total net position of \$10.6 million is unrestricted, in that the funds are not restricted for a particular use and available to be appropriated by the SMC Fire Board.

Tables on the following pages present a summary of SMC Fire's net position as of June 30, 2021.

STATEMENT OF NET POSITION

(Amounts in millions)

	Total	
	Governmental Activities	
	2020-21	2019-20
Current and other assets	\$11.2	\$11.7
Capital assets	7.5	5.4
Total assets	18.7	17.1
Deferred outflows - pension related amounts	8.1	5.9
Total deferred outflows of resources	8.1	5.9
Current liabilities	3.3	2.7
Non-current liabilities	5.4	2.3
Total liabilities	8.7	4.9
Deferred inflows - pension related amounts	0.1	-
Total deferred inflows of resources	0.1	-
Net position:		
Net investment in capital assets	7.5	5.4
Restricted	-	-
Unrestricted	10.6	12.7
Total net position	\$18.1	\$18.1

Totals may not add up due to rounding.

STATEMENT OF ACTIVITIES

(Amounts in millions)

	Total	
	Governmental Activities	
	2020-21	2019-20
Revenues:		
Program revenues:		
Charges for services	\$2.4	\$2.2
Operating contributions	44.2	37.4
Capital contributions	-	2.1
Total program revenues	46.6	41.8
General revenues:		
Other revenues	0.0	2.0
Interest Income	0.2	0.3
Total general revenues	0.2	2.3
Total revenues	46.8	44.0
Expenses:		
Personnel	40.0	34.3
Materials and services	5.4	3.2
Rents and leases	0.2	0.2
Miscellaneous	0.6	0.6
Depreciation	0.6	0.6
Total expenses	46.8	38.8
Change in net position	(0.0)	5.3
Net position - Beginning of year	18.1	12.8
Net position - End of year	\$18.1	\$18.1

Totals may not add up due to rounding.

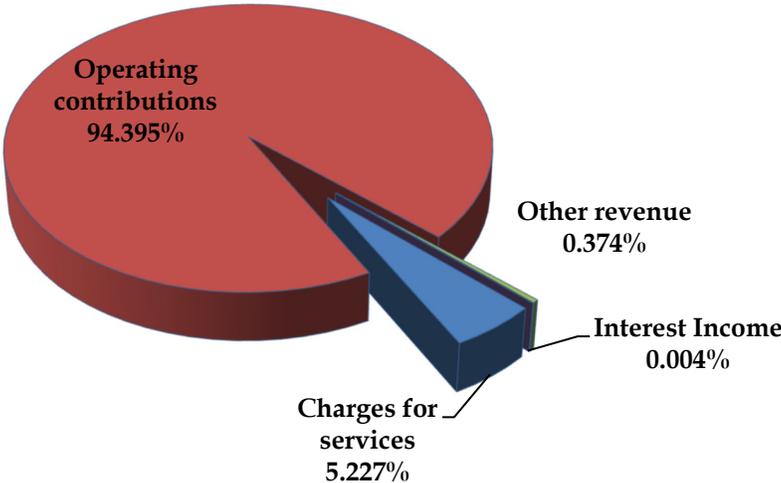
GOVERNMENTAL ACTIVITIES

Governmental activities kept SMC Fire's total net position flat at \$18.1 million. Key elements contributing to the result are described below.

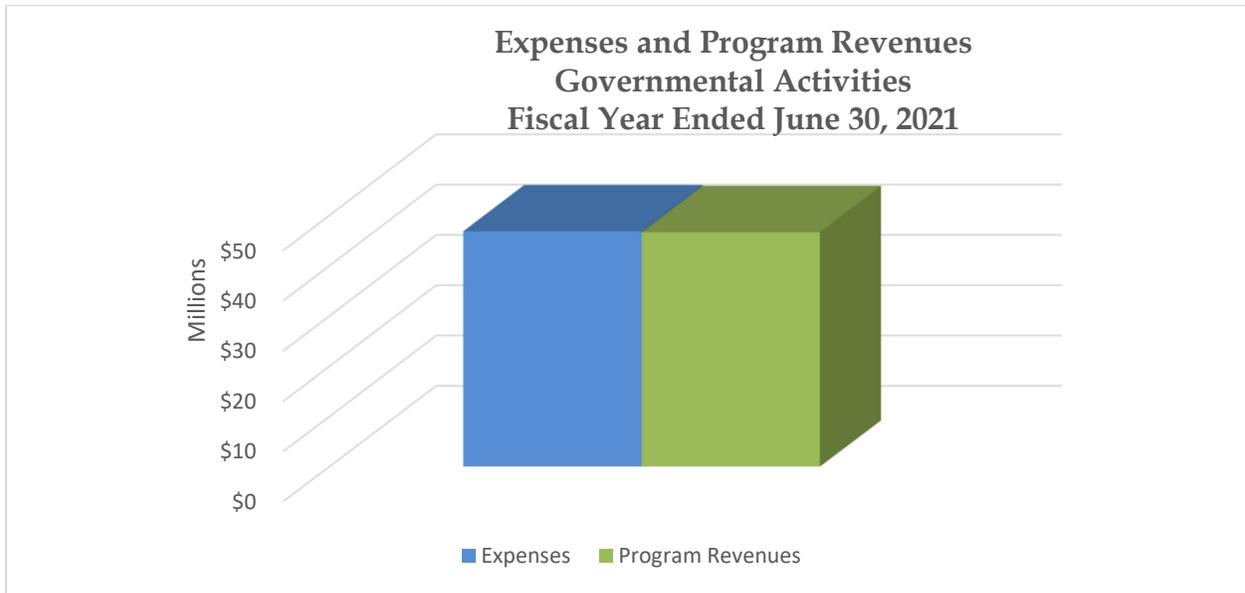
- Overall, total revenues from governmental activities were \$46.8 million, largely due to \$44.2 million in contributions from member agencies for their proportional share of SMC Fire's operating costs, which excludes the activities of the Fire Prevention Fund that is administered on a cost recovery basis. SMC Fire's operating costs are split amongst the member agencies as follows: City of Belmont - 20%; City of Foster City - 20%; City of San Mateo - 60%.
- SMC Fire's total expenses were \$46.8 million, including \$40.0 million in personnel costs. As noted earlier, the primary driver for the increased personnel costs was due to overtime costs from SMC Fire's response to mutual aid events.

The following charts of governmental activities revenue by sources, expenses, and program revenues were derived from the Statement of Activities.

**Revenue by Sources
Governmental Activities
Fiscal Year Ended June 30, 2021**



Total Governmental Activities Revenues: \$46.8 million



The cost of all governmental activities for the fiscal year ended June 30, 2021 was \$46.8 million. Some of the costs were paid by those directly benefiting from the programs (\$2.4 million) or by contributions from the member agencies (\$44.2 million). SMC Fire paid for the remaining “public benefit” portion of governmental activities with \$0.2 million in general revenues, the majority of which reflected interagency reimbursements for training and staffing.

FINANCIAL ANALYSIS OF THE SMC FIRE FUNDS

As noted earlier, SMC Fire uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

GOVERNMENTAL FUNDS

The focus of SMC Fire’s governmental funds is to provide information on current year revenues, expenditures, and balances of spendable resources. Such information is useful in assessing SMC Fire’s near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2021, SMC Fire’s governmental funds reported a combined ending fund balance of \$1.7 million, of which the General Fund accounted for \$1.5 million, and the remaining fund balance attributable to the Fire Prevention Fund. While SMC Fire had targeted providing \$1.0 million in financial relief to the member agencies as a result of the impact of COVID-19 by providing a proportional operating contribution credit, the net change in fund balance of \$0.1 million did not provide sufficient net income to provide said credit without using fund balance, and management recommended that the Board of Directors instead recognize the modest net gain as an increase in fund balance. Of the total fund balances, \$1.4 million is unassigned fund balance, which is available for spending at SMC Fire’s discretion.

The General Fund is the primary operating fund of SMC Fire. The unassigned fund balance of the General Fund was \$1.4 million. As a measure of liquidity, the unassigned fund balance can be compared to total fund expenditures. Unassigned fund balance represents 3.3% of total General Fund expenditures of \$44.1 million.

Addressing long-term financial sustainability is an ongoing priority of the SMC Fire Board, and as such, SMC Fire's reserve policy target for its General Fund is to have three months or 25% of the annual operating expenditure budget. This will ensure service stability in SMC Fire without imposing a substantial impact on the member agencies in the event of significant financial emergencies, such as swings in economic cycles and natural disasters. Achievement of the reserve policy will be gradual rather than immediate to avoid significant increases in member agencies' contributions. Funds will be set aside when, in any year, actual expenditures come in lower than actual revenues.

SMC Fire's General Fund accounted for \$44.2 million in revenues for the fiscal year ended June 30, 2021, which was an increase of \$4.9 million or 12% compared to the prior fiscal year. The increase was primarily attributable to a \$3.0 million increase in grants and other intergovernmental revenues, largely representative of reimbursements from the California Governor's Office of Emergency Services (CalOES) for SMC Fire's response to mutual aid events.

SMC Fire's General Fund accounted for \$44.1 million in expenditures for the same period, which was an increase of \$5.5 million, or 14% compared to the prior fiscal year. The increase was principally due to \$3.3 million in additional overtime costs, which were largely representative of the response to mutual aid events.

The Fire Prevention Fund (Fire Protection and Life Safety) was established to account for the activities of SMC Fire's Bureau of Fire Protection and Life Safety (Bureau), which enforces state and local fire codes and standards, and conducts fire investigations. Total revenues for the fiscal year were \$2.6 million, of which SMC Fire's service charges of \$2.4 million represented the majority. Total expenditures for the same period were \$3.6 million, a decrease of \$0.3 million, or 8%, and indicative of the Bureau's efforts to control costs in response to the immediate and severe impact of the COVID-19 pandemic on the Bureau's operations and revenues in relation to the cost of service.

PROPRIETARY FUNDS

SMC Fire's only Proprietary Funds are internal service funds. SMC Fire's proprietary funds provide the same type of information found in the government-wide financial statements, but with some additional details.

SMC Fire's total internal service funds' net position was \$10.1 million as of June 30, 2021. The Vehicle & Equipment Replacement Fund's net position comprised 65% of the total internal service funds' net position, followed by the Benefit and Dental Fund, which comprised 20% of the total.

GENERAL FUND BUDGETARY HIGHLIGHTS

The variance between General Fund final budget and actual revenues and expenditures were minor – less than \$0.1 million for each. The favorable budget variance for General Fund expenditures was the net result of personnel costs being \$0.6 million over budget due to overtime costs from mutual aid events offset by \$0.6 million in budget savings in materials and services.

Following this narrative is a summary of General Fund budgetary comparison schedule (amounts in millions).

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE
(Amounts in millions)

	Original Budget	Final Budget	Actual Results	Variance from Final Budget Favorable (Unfavorable)
Beginning fund balance	-	-	1.4	1.4
Resources:				
Revenues	40.7	44.1	44.2	0.1
Total resources	40.7	44.1	44.2	0.1
Charges to appropriations				
Expenditures	40.7	44.1	44.1	0.0
Transfer out	-	-	-	-
Total charges	40.7	44.1	44.1	0.0
Net change in fund balance	0.0	0.0	0.1	0.1
Ending fund balance	\$ 0.0	\$ 0.0	\$ 1.5	\$ 1.5

Totals may not add up due to rounding.

Given the above results, General Fund revenues exceeded expenditures by \$0.1 million for the current fiscal year. At the end of the fiscal year, the total General Fund balance was \$1.5 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

CAPITAL ASSETS

SMC Fire invested \$2.4 million in capital assets for the fiscal year ended June 30, 2021. This investment in capital assets primarily reflected the purchase of three fire engines that are expected to be delivered and put into service in January 2022. Additional information on SMC Fire's capital assets can be found in Note 4 on page 50 of this report.

CAPITAL ASSETS
(Amounts in millions)

	Total Governmental Activities	
	2020-21	2019-20
Non-depreciable assets:		
Equipment in progress	\$ 2.4	\$ -
Total non-depreciable assets	<u>2.4</u>	<u>0.0</u>
Depreciable assets:		
Machinery and equipment	6.6	6.3
Less: accumulated depreciation	(1.6)	(0.9)
Total depreciable assets (net)	<u>5.1</u>	<u>5.4</u>
Total capital assets	<u><u>\$ 7.4</u></u>	<u><u>\$ 5.4</u></u>

LONG-TERM DEBT

At the end of the current fiscal year, SMC Fire had total long-term debt outstanding of \$3.1 million, which reflects the amount due for compensated absences; \$1.0 million of which was projected to be due within one year, while the remaining \$2.1 million is due in more than one year.

LONG TERM LIABILITIES
Compensated Leaves Payable
(Amounts in millions)

	Total Governmental Activities	
	2020-21	2019-20
Compensated leaves payable	\$ 3.05	\$ 2.40
Total outstanding debt	<u><u>\$ 3.05</u></u>	<u><u>\$ 2.40</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

SMC Fire obtains the majority of funding for core operations from its member agencies. As such, its long-term sustainability largely depends upon the economic performance of the communities which it serves – Belmont, Foster City, and San Mateo. While Belmont has a dedicated funding source to pay for its contribution to SMC Fire through the Belmont Fire Protection District, San Mateo and Foster City pay for their respective contributions from their General Fund. San Mateo and Foster City's tax revenues have been significantly impacted by COVID-19 – specifically tax revenues that are based on transactions, such as sales tax and transient occupancy tax.

San Mateo accounted for \$23.7 million in sales tax revenues for fiscal year 2020-21, which was largely flat compared to the prior fiscal year, and are still nearly 10% less than the pre-pandemic baseline from fiscal year 2018-19. In fiscal year 2020-21, Foster City accounted for \$3.1 million in sales tax, 14% less than its 2018-19 pre-pandemic baseline year.

With respect to transient occupancy tax revenues (TOT), since the onset of the shelter-in-place order due to COVID-19 in March 2020, San Mateo's TOT has dropped precipitously. In the pre-pandemic baseline of fiscal year 2018-19, San Mateo accounts for \$7.0 million in General Fund TOT. In fiscal year 2020-21, TOT dropped to \$0.9 million, as San Mateo's TOT base is largely from business travel. Tourism is projected to be one of the last business sectors to recover from the pandemic-driven recession, and business travel may never recover, given its shift to the virtual space. Foster City's TOT was \$1.0 million compared to \$4.4 million in fiscal year 2018-19.

Despite the global pandemic, the value of and demand for real estate in the service area of SMC Fire remains high. The median sales price for the quarter ended June 30, 2021 for a single family home in the service area was \$2.3 million for Belmont and Foster City, and \$1.8 million for San Mateo. In addition, the average number of days on the market was 9 days for Belmont and Foster City, and 14 days for San Mateo.

The service area of SMC Fire is part of the San Francisco-Redwood City-South San Francisco Metropolitan Area. While COVID-19 has also had unparalleled effects on unemployment, the area continues to lead the state and the country in unemployment metrics. While unemployment peaked in April 2020 due to COVID-19 at 10.1%, preliminary data from the State of California's Employment Development Department indicate the August 2021 unemployment rate has dropped to 4.1 % in the City of San Mateo. The same trend is occurring in Belmont and Foster City, with their respective August 2020 unemployment rates at 4.0% and 3.8%.

Overall, the adopted 2021-22 General Fund budget reflects a balanced budget, with revenues and expenditures of \$43.0 million each. The General Fund's increase in fund balance from \$1.4 million to \$1.5 million at the end of fiscal year 2020-21 illustrates SMC Fire's strategy to gradually build up its reserves to meet its policy for three months of budgeted operating expenditures. This reserve is just one example of SMC Fire's fiscal discipline that has assisted in achieving its financial objectives.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the San Mateo Consolidated Fire Department finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of San Mateo, 330 West 20th Avenue, San Mateo, California, 94403.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

San Mateo Consolidated Fire Department
Statement of Net Position
June 30, 2021

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 10,253,152
Accounts receivable, net	958,579
Interest receivable	10,367
Prepaid items and deposits	17,097
Total current assets	11,239,195
Noncurrent assets:	
Net pension asset	758
Capital assets:	
Non-depreciable	2,390,427
Depreciable, net	5,055,647
Total capital assets	7,446,074
Total noncurrent assets	7,446,832
Total assets	18,686,027
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	7,417,503
Related to OPEB	685,815
Total deferred outflows of resources	8,103,318

San Mateo Consolidated Fire Department
Statement of Net Position (Continued)
June 30, 2021

	Primary Government
	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable	398,404
Accrued payroll	1,891,409
Deposits payable	19,297
Compensated absences - due within one year	976,980
Total current liabilities	3,286,090
Noncurrent liabilities:	
Net pension liability	11,183
Total OPEB liability	3,323,257
Compensated absences - due in more than one year	2,076,084
Total noncurrent liabilities	5,410,524
Total liabilities	8,696,614
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,388
Total deferred inflows of resources	1,388
NET POSITION	
Investment in capital assets	7,446,074
Unrestricted	10,645,269
Total net position	\$ 18,091,343

This page intentionally left blank.

San Mateo Consolidated Fire Department
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2021

	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Governmental Activities
Expenses:	
Governmental activities:	
Personnel	\$ 40,034,358
Materials and services	5,394,739
Rents and leases	157,280
Miscellaneous	603,452
Depreciation	644,467
Total governmental activities	46,834,296
Program revenues:	
Charges of services	2,447,723
Operating contributions	44,202,114
Total revenues	46,649,837
General Revenues:	
Investment earnings	1,937
Miscellaneous revenue	174,775
Total general revenues	176,712
Change in net position	(7,747)
Net Position:	
Beginning of year	18,099,090
End of year	\$ 18,091,343

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

This page intentionally left blank.

Governmental Funds Financial Statements

General Fund - This fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Fire Prevention Special Revenue Fund - This fund accounts for the fees charged and expenditures for activities relating to fire inspections and permits.

San Mateo Consolidated Fire Department
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,943,323	\$ -	\$ 2,943,323
Accounts receivable, net	478,453	480,126	958,579
Interest receivable	10,367	-	10,367
Due from other funds	214,603	-	214,603
Prepaid items	17,097	-	17,097
Total assets	\$ 3,663,843	\$ 480,126	\$ 4,143,969
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 310,698	\$ 20,048	\$ 330,746
Accrued payroll	1,891,409	-	1,891,409
Due to other funds	-	214,603	214,603
Deposits payable	-	19,297	19,297
Total liabilities	2,202,107	253,948	2,456,055
Fund Balances:			
Nonspendable	17,097	-	17,097
Committed	-	226,178	226,178
Assigned	100	-	100
Unassigned (deficit)	1,444,539	-	1,444,539
Total fund balances	1,461,736	226,178	1,687,914
Total liabilities and fund balances	\$ 3,663,843	\$ 480,126	\$ 4,143,969

**San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2021**

Total Fund Balances - Total Governmental Funds	<u>\$ 1,687,914</u>
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Capital Assets used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Government-Wide Statement of Net Position	7,446,074
Less: capital assets reported in Internal Service Funds	<u>(2,821,571)</u>
Total capital assets	<u>4,624,503</u>
Long-term liabilities are not due and payable in the current period and therefore were not reported in the Governmental Funds Balance Sheet.	
Amount reported in Government-Wide Statement of Net Position	
Compensated absences - due within one year	(976,980)
Compensated absences - due in more than one year	<u>(2,076,084)</u>
Total long-term liabilities	<u>(3,053,064)</u>
Aggregate net pension liability and total OPEB liability used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Net pension asset	758
Net pension liability	(11,183)
Total OPEB liability	<u>(3,323,257)</u>
Total net pension liability and total OPEB liability	<u>(3,333,682)</u>
Deferred outflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	
Deferred outflows of resources related to OPEB	685,815
Deferred outflows of resources related to pensions	<u>7,417,503</u>
Total deferred outflows of resources	<u>8,103,318</u>
Deferred inflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	
Deferred inflows of resources related to pensions	<u>(1,388)</u>
Total deferred inflows of resources	<u>(1,388)</u>
Internal service funds are used by management to charge the cost of fleet management, risk management, information technology, and building maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	
	<u>10,063,742</u>
Net Position of Governmental Activities	<u><u>\$ 18,091,343</u></u>

San Mateo Consolidated Fire Department
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
REVENUES:			
Intergovernmental:			
Contributions from Belmont	\$ 7,939,627	\$ -	\$ 7,939,627
Contributions from Foster City	7,939,627	-	7,939,627
Contributions from San Mateo	23,818,880	-	23,818,880
Grants and other intergovernmental	4,312,891	191,089	4,503,980
Charges for services	-	2,447,723	2,447,723
Other revenue	166,705	8,070	174,775
Total revenues	44,177,730	2,646,882	46,824,612
EXPENDITURES:			
Current:			
Personnel costs	38,804,275	2,611,994	41,416,269
Materials and services	5,183,365	211,374	5,394,739
Rents and leases	-	157,280	157,280
Miscellaneous	-	603,452	603,452
Capital outlay	85,398	-	85,398
Total expenditures	44,073,038	3,584,100	47,657,138
NET CHANGE IN FUND BALANCES	104,692	(937,218)	(832,526)
FUND BALANCES:			
Beginning of year	1,357,044	1,163,396	2,520,440
End of year	<u>\$ 1,461,736</u>	<u>\$ 226,178</u>	<u>\$ 1,687,914</u>

San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2021

Total Fund Balances - Total Governmental Funds	\$ (832,526)
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position the cost of those assets was allocated over their estimated useful lives as depreciation expenses. This is the amount of capital assets recorded in the current period.	85,398
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense, net of internal service funds of \$40,475, was not reported as expenditures in the Governmental Funds.	(603,992)
Compensated absences expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(649,489)
Certain pension expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Changes in net pension assets	758
Changes in pension related deferred outflows of resources	1,538,558
Changes in net pension liabilities	(11,183)
Changes in pension related deferred inflows of resources	(1,388)
Certain OPEB expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Changes in OPEB related deferred outflows of resources	625,767
Changes in total OPEB liabilities	(2,704,510)
The internal service funds are used by management to charge the costs of fleet maintenance, facilities maintenance, and technology to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
	2,544,860
Change in Net Position of Governmental Activities	\$ (7,747)

This page intentionally left blank.

Proprietary Funds Financial Statements

Internal Service Funds - These funds are used to provide goods and services by one department or agency to other departments or agencies of the Department on a cost reimbursement basis.

San Mateo Consolidated Fire Department
Statement of Net Position
Proprietary Funds
June 30, 2021

		Total Internal Service Funds
ASSETS		
Current assets:		
Cash and investments		\$ 7,309,829
Total current assets		<u>7,309,829</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable		2,390,427
Depreciable, net		<u>431,144</u>
Total capital assets		<u>2,821,571</u>
Total noncurrent assets		<u>2,821,571</u>
Total assets		<u>10,131,400</u>
LIABILITIES		
Current liabilities:		
Accounts payable		<u>67,658</u>
Total current liabilities		<u>67,658</u>
Total liabilities		<u>67,658</u>
NET POSITION		
Investment in capital assets		2,821,571
Unrestricted		<u>7,242,171</u>
Total net position		<u>\$ 10,063,742</u>

San Mateo Consolidated Fire Department
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Total Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 12,201,397
Insurance reimbursement	636,615
Total operating revenues	12,838,012
OPERATING EXPENSES:	
Materials and services	10,254,614
Depreciation	40,475
Total operating expenses	10,295,089
OPERATING INCOME	2,542,923
NONOPERATING REVENUES:	
Investment income	1,937
Total nonoperating revenues	1,937
Changes in net position	2,544,860
NET POSITION:	
Beginning of year	7,518,882
End of year	\$ 10,063,742

San Mateo Consolidated Fire Department
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services provided	\$ 12,201,397
Cash received from insurance reimbursements	636,615
Cash payments to suppliers for goods and services	<u>(10,198,489)</u>
Net cash provided by operating activities	<u>2,639,523</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets, net	<u>(2,618,157)</u>
Net cash (used in) capital and related financing activities	<u>(2,618,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest from investments	<u>1,937</u>
Net cash provided by investing activities	<u>1,937</u>
Net change in cash and cash equivalents	23,303
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>7,286,526</u>
End of year	<u>\$ 7,309,829</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,542,923
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,475
Changes in operating assets and liabilities:	
Accounts payable	<u>56,125</u>
Total adjustments	<u>96,600</u>
Net cash provided by operating activities	<u>\$ 2,639,523</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**San Mateo Consolidated Fire Department
Index of Notes to the Basic Financial Statements
For the Year Ended June 30, 2021**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies	41
A. Reporting Entity	41
B. Basis of Accounting and Measurement Focus.....	41
C. Cash and Investments.....	43
D. Prepaid Items.....	44
E. Interfund Transactions.....	44
F. Capital Assets and Depreciation.....	44
G. Compensated Absences.....	44
H. Pensions.....	45
I. Other Postemployment Benefits.....	45
J. Deferred Outflows and Inflows of Resources	46
K. Net Position	46
L. Fund Balances	46
M. Spending Policy.....	47
N. Use of Estimates	47
Note 2 – Cash and Investments.....	47
A. Deposits	48
B. Investments.....	48
C. Risk Disclosures	48
D. Investments in Local Agency Investment Fund	49
Note 3 – Interfund Balances and Transactions	50
A. Due To / From Other Funds	50
Note 4 – Capital Assets	50
Note 5 – Compensated Absences.....	50
Note 6 – Risk Management	51
A. General Liability.....	51
B. Claims Activity.....	51
Note 7 – Pension Plans	51
A. General Information about the Pension Plans	51
B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions	54

San Mateo Consolidated Fire Department
Index of Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Other Postemployment Benefits	58
A. General Information about OPEB	58
B. Total OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB	58
Note 9 – Classification of Fund Balances	61
Note 10 – Commitments and Contingencies	61
A. Commitments	61
B. Litigation	61
C. Federal and State Grant Programs	61

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the San Mateo Consolidated Fire Department (SMC Fire) have been prepared in conformity with accounting principles generally accepted of the United States of America (“U.S. GAAP”) as applied to Governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of SMC Fire’s accounting policies are described below.

A. Reporting Entity

SMC Fire is a legally separate and independent entity that is not a component unit of the City of San Mateo (San Mateo), the City of Foster City/Estero Municipal Improvement District (Foster City), or the City of Belmont/Belmont Fire Protection District (Belmont). Further, SMC Fire has no component unit organizations under its control. Therefore, the financial statements contained within represent solely the activities, transactions, and status of the SMC Fire. SMC Fire is governed by a Board of Directors (“Fire Board”) consisting of representatives from each City.

SMC Fire maintains its headquarters at 1040 E. Hillsdale Boulevard Foster City, CA 94404

B. Basis of Accounting and Measurement Focus

The accounts of SMC Fire are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government - Wide Financial Statements

SMC Fire’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for SMC Fire.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of SMC Fire’s assets and liabilities, including capital assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents change in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for SMC Fire in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government - Wide Financial Statements (Continued)

Certain eliminations have been made in regards to interfund activities, payables, and receivables. Interfund services provided and used are not eliminated in the process of consolidation. All internal balances in the Statement of Net Position have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds

Fund Financial Statements

Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances. SMC Fire considers all funds as major funds since they met the applicable criteria in accordance with GASB Statement No. 34. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements.

All funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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 to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, SMC Fire considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by SMC Fire, are member agency operating contributions and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Non-exchange transactions, in which SMC Fire gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

SMC Fire reports the following major funds:

General Fund is the general operating fund of SMC Fire. It is used to account for all financial resources of SMC Fire except those required to be accounted for in another fund.

Fire Protection Special Revenue Fund accounts for the fees charged and expenditures for activities relating to fire inspections and permits.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statement

SMC Fire reports the Internal Service Funds as Proprietary Funds of SMC Fire.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

The Internal Service Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues represent premiums paid for the programs and contributions toward programs; operating expenses include claims paid and administrative expenses of the programs, and vehicle and equipment purchases. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements, and are comprised of the following funds:

Vehicle and Equipment Replacement Fund accounts for charges to SMC Fire for funding and acquisition of vehicles, equipment and fire engines.

Benefits and Dental Fund accounts for SMC Fire's charges for other funds and expenditures relating to the employee benefits other than those accounted for in the Workers' Compensation and Comprehensive Liability Insurance Fund.

Workers' Compensation and Comprehensive Liability Insurance Fund accounts for all workers' compensation activities, and general liability transactions.

C. Cash and Investments

Cash includes cash on hand and demand deposits. Investments are reported at market value. Changes in market value that occur during the fiscal year are recognized as investment income for that fiscal year.

SMC Fire participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset-backed securities.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the market value of the pool shares.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Cash and Investments (Continued)

Certain disclosure requirements, if applicable, for deposits and investment risks are in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

D. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

F. Capital Assets and Depreciation

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value on the date donated. SMC Fire policy has set the capitalization threshold for reporting capital assets at \$10,000. As stipulated in the JPA agreement, fire stations remain the assets of the individual member agencies. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Years</u>
Machinery & Equipment	2-15

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed.

G. Compensated Absences

Compensated absences comprise vested vacation, sick, comp time and annual leave. Employees do not gain a vested right to accumulated sick leave, unless they take retirement through CalPERS or are laid off. The annual leave plan combines vacation and sick leave, which is settled annually.

In government-wide financial statements compensated absences are recorded as expenses and liabilities as incurred.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

G. *Compensated Absences (Continued)*

In Fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is SMC Fire’s policy to liquidate any unpaid annual leave at year-end from future resources rather than currently available and expendable resources. The General Fund is typically used to liquidate compensated absences.

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums, based on the employee’s bargaining unit. Employees may elect to be paid a portion of these leaves at various times according to the applicable Memorandum of Understanding. Sick leave may be accumulated without limit. Sick leave may be exchanged for service credit in SMC Fire’s pension plan upon retirement.

H. *Pensions*

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 plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at market value.

The following timeframes are used for pension reporting:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Measurement period	July 1, 2019 to June 30, 2020

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. *Other Postemployment Benefits*

For purposes of measuring the net other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and other postemployment benefits expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at market value.

The following timeframes are used for other postemployment benefits reporting:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Measurement period	July 1, 2019 to June 30, 2020

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

I. Other Postemployment Benefits (Continued)

Gains and losses related to changes in total other postemployment benefits liability and fiduciary net position are recognized in other postemployment benefits expense systematically over time. The first amortized amounts are recognized in other postemployment benefits expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to other postemployment benefits and are to be recognized in future other postemployment benefits expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

J. Deferred Outflows and Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

K. Net Position

In government-wide financial statements, net position is categorized as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of restricted assets reduced by liabilities and related deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

L. Fund Balances

In fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body and that remain binding unless removed in the same manner. The Board of Directors is considered the highest authority for SMC Fire. A Board resolution is required to have fund balance committed.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board of Directors is considered the highest authority for SMC Fire. A Board resolution is required to have fund balance assigned.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other funds, it is not appropriate to report a positive unassigned fund balance amount. However, in funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

M. Spending Policy

Government-Wide Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, SMC Fire’s policy is to apply restricted Net Position first.

Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, SMC Fire uses the unrestricted resources in the following order: committed, assigned, and unassigned.

N. Use of Estimates

The preparation of basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Note 2 – Cash and Investments

Cash and investments consisted of the following at June 30, 2021:

Cash on hand	\$	100
Demand deposits with financial institutions		1,384,583
Total cash		<u>1,384,683</u>
Local Agency Investment Fund (LAIF)		8,868,469
Total investments		<u>8,868,469</u>
Total cash and investments		<u><u>\$ 10,253,152</u></u>

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

A. Deposits

The carrying amount of SMC Fire’s cash deposits were \$1,384,583 at June 30, 2021. Bank balances before reconciling items were \$1,405,536 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in SMC Fire’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure SMC Fire’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SMC Fire's name.

The market value of pledged securities must equal at least 110% of SMC Fire's cash deposits. California law also allows institutions to secure SMC Fire deposits by pledging first trust deed mortgage notes having a value of 150% of SMC Fire’s total cash deposits. SMC Fire may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. SMC Fire, however, has not waived the collateralization requirements.

SMC Fire follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on the average monthly cash and investment balances.

B. Investments

Under the provisions of SMC Fire’s investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	None	\$75 Million
U.S. Treasury Obligations	5 years	None	None
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 years	70%	40%

C. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the market value of an investment. Generally, the longer the maturity, the greater the sensitivity its market value is to changes in market interest rates. As a means of limiting its exposure to market value losses arising from rising interest rates, SMC Fire’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2021, SMC Fire had the following investments and maturities:

Investments	Minimum Rating Required	Fair Value	Maturity 12 Months or Less
Investments:			
Local Agency Investment Fund (LAIF)	NA	\$ 8,868,469	\$ 8,868,469
Total Investments		\$ 8,868,469	\$ 8,868,469

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organization. As of June 30, 2021, SMC Fire had the following investments and ratings.

Investments	Credit Rating	Value
Investments:		
Local Agency Investment Fund (LAIF)	Not Rated	\$ 8,868,469
Total Investments		\$ 8,868,469

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, SMC Fire’s deposits may not be returned to it. SMC Fire does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State of local governmental units pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposited by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. Cash in banks is fully insured by the Federal Depository Insurance Corporation or collateralized, so there is no exposure to custodial credit risk.

Concentration of Credit Risk

The investment policy of SMC Fire contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. SMC Fire’s investment in an external investment pool is exempt from the requirement.

D. Investments in Local Agency Investment Fund

SMC Fire is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. SMC Fire’s investments in LAIF at June 30, 2021 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, SMC Fire had \$8,868,469 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines market value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. SMC Fire’s investment in LAIF is reported at amortized cost at June 30, 2021.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Interfund Balances and Transactions

A. Due To/Due From Other Funds

At June 30, 2021, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Fire Prevention Special Revenue Fund	\$ 214,603	Overdrawn Cash

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

Note 4 – Capital Assets

Summary of changes in capital assets activity for the year ended June 30, 2021, is shown below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 2,390,427	\$ -	\$ 2,390,427
Total capital assets, not being depreciated	-	2,390,427	-	2,390,427
Capital assets, being depreciated				
Machinery & Equipment	6,305,524	313,128	-	6,618,652
Total capital assets, being depreciated	6,305,524	313,128	-	6,618,652
Accumulated depreciation:				
Machinery & Equipment	(918,538)	(644,467)	-	(1,563,005)
Total accumulated depreciation	(918,538)	(644,467)	-	(1,563,005)
Total capital assets, being depreciated, net	5,386,986	(331,339)	-	5,055,647
Total capital assets, net	\$ 5,386,986	\$ 2,059,088	\$ -	\$ 7,446,074

Depreciation and amortization expense were charged to the functions/programs of the governmental activities as follows:

Public safety - fire	\$ 603,992
Internal service funds	40,475
Total depreciation expenses	\$ 644,467

Note 5 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2021 is as follows:

	Balance			Balance			Classification	
	July 1, 2020	Additions	Deletions	June 30, 2021	Due within One Year	Due in More Than One Year		
Compensated absences	\$ 2,403,575	\$ 2,160,714	\$ (1,511,225)	\$ 3,053,064	\$ 976,980	\$ 2,076,084		
Total	\$ 2,403,575	\$ 2,160,714	\$ (1,511,225)	\$ 3,053,064	\$ 976,980	\$ 2,076,084		

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Compensated Absences (Continued)

SMC Fire’s liability for vested and unpaid compensated absences (accrued vacation, sick time, comp time, and annual leave) has been accrued and amounts to \$3,053,064 at June 30, 2021. The amount due within one year of \$976,980 represents the estimated amount for anticipated retirees. SMC Fire primarily uses the General Fund to liquidate the liability for compensated absences for governmental funds.

Note 6 – Risk Management

A. General Liability

SMC Fire maintains occurrence-basis commercial insurance coverage for both general liability and workers’ compensation. The general liability insurance covers up to \$1 million per occurrence and \$10 million annual aggregate with excess liability of \$10 million per occurrence and \$20 million aggregate. The workers’ compensation insurance covers up to \$50 million per occurrence.

B. Claims Activity

SMC Fire’s claims activity is recorded in its Worker’s Compensation and General Liability Internal Service Funds. Estimated liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims during the fiscal year ended June 30, 2021 were covered by the insurance policies.

Note 7 – Pension Plans

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. SMC Fire sponsors eleven rate plans. Benefit provisions under the Plan are established by State statute and SMC Fire resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Employees Covered by Benefit Terms

At June 30, 2019 valuation date, the following members were covered by the benefit terms for each Plan:

	Miscellaneous Plans	Safety Plans
Active	12	137
Transferred or separated	1	2
Retired	-	-
Total	13	139

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Safety members with five years or more of total service are eligible to retire at age 50. Miscellaneous members with five years or more of total service are eligible to retire at age 50, with exception of those that fall under the 2% at 62 formula, who are eligible to retire at age 52. Those that retire before the “normal retirement age” listed in their formula will receive statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2020 are summarized below:

For transferred employees from member agencies

	Classic Misc - San Mateo Tier 1	Classic Misc - San Mateo Tier 2	Classic Safety - Belmont Tier 1	Classic Safety - Belmont Tier 2
Benefit formula	2% at age 55	2% at age 55	3% at age 55	2% at age 50
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50	50
Required employee contribution rates	7.000%	7.000%	9.000%	9.000%
Required employer contribution rates	11.031%	9.680%	20.585%	18.152%
Final Annual Compensation	1 year	1 year	1 year	1 year
	Classic Safety - Foster City Tier 1	Classic Safety - San Mateo Tier 1	Classic Safety - San Mateo Tier 2	
Benefit formula	3% at age 50	3% at age 50	3% at age 55	
Benefit vesting schedule	5 years service	5 years service	5 years service	
Benefit payments	Monthly for life	Monthly for life	Monthly for life	
Retirement age	50	50 - 55	50 - 57	
Required employee contribution rates	9.000%	9.000%	9.000%	
Required employer contribution rates	22.437%	23.674%	20.585%	
Final Annual Compensation	1 year	1 year	1 year	

For new employees hired after January 13, 2019

	Classic - Misc	PEPRA - Misc	Classic - Safety	PEPRA - Safety
Benefit formula	2% at age 62	2% at age 62	2.7% at age 57	2.7% at age 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	52	52	50	50
Required employee contribution rates	6.750%	6.750%	12.000%	12.000%
Required employer contribution rates	7.732%	7.732%	13.044%	13.044%
Final Annual Compensation	1 year	1 year	1 year	1 year

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

A. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SMC Fire is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumption

In 2019, there were no changes of assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

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 pension plan investment expense and inflation) are developed for each major asset class.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period

³An expected inflation of 2.92% used for this period.

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

The following presents SMC Fire's proportionate share of the net pension liability for each Plan type, calculated using the discount rate for each Plan, as well as what SMC Fire's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	- 1% (6.15%)	Rate (7.15%)	+ 1% (8.15%)
Miscellaneous Plans	\$ 11,076	\$ (758)	\$ (10,536)
Safety Plans	\$ 457,119	\$ 11,183	\$ (354,750)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous Plan:			
Balance at: 6/30/19 (Valuation date)	\$ -	\$ -	\$ -
Balance at: 6/30/20 (Measurement date)	88,926	89,684	(758)
Net Changes during 2019-2020	88,926	89,684	(758)
Safety Plan:			
Balance at: 6/30/19 (Valuation date)	\$ -	\$ -	\$ -
Balance at: 6/30/20 (Measurement date)	3,283,680	3,272,497	11,183
Net Changes during 2019-2020	3,283,680	3,272,497	11,183

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2019). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2020). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19).
- (3) The individual plans’ TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plans’ TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plans’ NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

SMC Fire’s proportionate share of the net pension liability as of June 30, 2021 was as follows:

	Miscellaneous Plan	Safety Plan
Proportion June 30, 2018	0.000000%	0.000000%
Proportion June 30, 2019	-0.000018%	0.016785%
Change - Increase (Decrease)	-0.000018%	0.016785%

For the year ended June 30, 2021, SMC Fire recognized pension expense in the amounts of \$23,426 and \$120,158, for the Miscellaneous plans and Safety plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2019-20 measurement period is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired).

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Pension Plans (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

At June 30, 2021, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plans		Safety Plans	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	\$ 79,561	\$ -	\$ 4,403,851	\$ -
Changes in assumptions	5	-	-	(37)
Difference between actual and expected experience	-	(39)	867	-
Difference between projected and actual earning on pension plan investments	-	(23)	243	-
Adjustment due to differences in proportions	54,906	-	-	(778)
Difference between Employer's actual contributions and proportionate share of contributions	-	(511)	2,878,070	-
Total	\$ 134,472	\$ (573)	\$ 7,283,031	\$ (815)
	Total			
	Deferred outflows of Resources	Deferred inflows of Resources		
Contributions made after measurement date	\$ 4,483,412	\$ -		
Changes in assumptions	5	(37)		
Difference between actual and expected experience	867	(39)		
Difference between projected and actual earning on pension plan investments	243	(23)		
Adjustment due to differences in proportions	54,906	(778)		
Difference between Employer's actual contributions and proportionate share of contributions	2,878,070	(511)		
Total	\$ 7,417,503	\$ (1,388)		

For the Miscellaneous plans and Safety plans, \$79,561 and \$4,403,851, respectively, was reported as deferred outflows of resources related to pensions resulting from SMC Fire's contributions subsequent to the measurement date will be recognized as a reduction of collective the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous Plan	Safety Plan
2021	\$ 19,418	\$ 1,027,865
2022	19,406	1,028,012
2023	15,525	822,366
2024	(11)	122
2025	-	-
Thereafter	-	-
Total	\$ 54,338	\$ 2,878,365

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Other Postemployment Benefits

A. General Information about OPEB

Plan Description

SMC Fire administers a single employer defined benefit post-employment healthcare plan (Plan). Merit employees who retire directly from SMC Fire under CalPERS at the minimum age 50 with at least 5 years of CalPERS service (or disability) are eligible to receive \$160 per month for medical insurance premiums paid to CalPERS. This same benefit may continue to a surviving spouse depending on the retirement plan election.

Eligibility

Membership in the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Active employees	147
Transferred and terminated employees	2
Retired employees and beneficiaries	5
Total	154

Contributions

The Board will review the funding requirements and policy annually. SMC Fire funds the Plan on a pay as you go basis.

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

Total OPEB Liability

SMC Fires total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability at June 30, 2021 was \$3,323,257.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2011 Experience Study
Mortality Improvement Scale	Modified projected fully generational with Scale MP-2018
Healthcare Trend Rate - Non-Medicare	7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
Healthcare Trend Rate - Medicare	6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum Increase	4.25% annually

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Other Postemployment Benefits (Continued)

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019 (Valuation Date)	\$ 618,747
Changes Recognized for the Measurement Period:	
Service Cost	1,970,092
Interest on the total OPEB liability	90,609
Changes of assumptions	643,809
Benefit payments	-
Net Changes during July 1, 2019 to June 30, 2020	2,704,510
Balance at June 30, 2020 (Measurement Date)	\$ 3,323,257

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of SMC Fire, as well as what SMC Fire's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (1.21%)	Current Discount Rate (2.21%)	Discount Rate + 1% (3.21%)
\$ 4,002,408	\$ 3,323,257	\$ 2,806,104

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of SMC Fire, as well as what SMC Fire's 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:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Trend Rates	1%
\$ 2,683,889	\$ 3,323,257	\$ 4,187,585

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Other Postemployment Benefits (Continued)

B. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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

For the fiscal year ended June 30, 2021, SMC Fire recognized OPEB expense of \$2,120,312. At June 30, 2021, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$ 41,569	\$ -
Changes of assumptions	644,246	-
Total	<u>\$ 685,815</u>	<u>\$ -</u>

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 11.9 years, which was determined as of June 30, 2019, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 59,611
2022	59,611
2023	59,611
2024	59,611
2025	59,611
Thereafter	346,191
	<u>\$ 644,246</u>

San Mateo Consolidated Fire Department
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 – Classification of Fund Balances

SMC Fire classifies fund balances, as shown on the *Balance Sheet – Governmental Funds*, as follows as of June 30, 2021:

	General Fund	Fire Prevention Special Revenue Fund	Total
Nonspendable			
Prepaid items	\$ 17,097	\$ -	\$ 17,097
Total nonspendable	17,097	-	17,097
Committed			
Fire prevention inspection and other	-	226,178	226,178
Total committed	-	226,178	226,178
Assigned			
Other purposes	100	-	100
Total assigned	100	-	100
Unassigned	1,444,539	-	1,444,539
Total fund balances	\$ 1,461,736	\$ 226,178	\$ 1,687,914

Note 10 – Commitments and Contingencies

A. Commitments

SMC Fire had several outstanding or planned construction and other projects as of June 30, 2021.

B. Litigation

SMC Fire is presently involved in certain matters of litigation that have risen in the normal course of conducting SMC Fire’s business. SMC Fire management believes, based upon consultation with SMC Fire’s Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on SMC Fire. Additionally, SMC Fire’s management believes that SMC Fire’s insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

C. Federal and State Grant Programs

SMC Fire participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit act as amended. Accordingly, SMC Fire’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although SMC Fire anticipates such amounts, if any, will be immaterial.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

**San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2021**

Budgetary Information

A. Budgetary Control and Budgetary Accounting

Budgets are adopted annually for the General Fund and Fire Prevention Fund. The Budget is adopted by the Fire Board (Board) and can be amended only by the Board.

An annual operating budget is adopted by the Board on or before June 30. The operating budget may be reallocated among programs, but expenditures may not exceed budgeted appropriations each year without Board acknowledgment and approval.

B. Encumbrances and Budgetary Financial Statements

SMC Fire's budget, and the accompanying budgetary financial statements, are prepared using encumbrance accounting. Encumbrance accounting requires that purchase orders, contracts, and other commitments for the expenditure of monies be recorded as expenditures in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year-end are reported as expenditures in the budgetary financial statements.

Unencumbered operating appropriations lapse at year-end.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedules – General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Contributions from Belmont	\$ 7,939,627	\$ 7,939,627	\$ 7,939,627	\$ -
Contributions from Foster City	7,939,627	7,939,627	7,939,627	-
Contributions from San Mateo	23,818,880	23,818,880	23,818,880	-
Grants and other intergovernmental	987,854	4,355,142	4,312,891	(42,251)
Other revenue	50,000	50,000	166,705	116,705
Total revenues	<u>40,735,988</u>	<u>44,103,276</u>	<u>44,177,730</u>	<u>74,454</u>
EXPENDITURES:				
Current:				
Personnel costs	35,875,082	38,283,311	38,804,275	(520,964)
Materials and services	4,812,487	5,771,532	5,183,365	588,167
Capital outlay	85,398	85,398	85,398	-
Total expenditures	<u>40,772,967</u>	<u>44,140,241</u>	<u>44,073,038</u>	<u>67,203</u>
Net change in fund balance	<u>\$ (36,979)</u>	<u>\$ (36,965)</u>	104,692	<u>\$ 141,657</u>
FUND BALANCE:				
Beginning of year			<u>1,357,044</u>	
End of year			<u>\$ 1,461,736</u>	

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedules – Fire Prevention Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Grants and other intergovernmental	\$ -	\$ -	\$ 191,089	\$ 191,089
Charges for services	3,119,388	3,119,388	2,447,723	(671,665)
Other revenue	21,000	21,000	8,070	(12,930)
Total revenues	<u>3,140,388</u>	<u>3,140,388</u>	<u>2,646,882</u>	<u>(493,506)</u>
EXPENDITURES:				
Current:				
Personnel costs	2,841,453	2,841,453	2,611,994	229,459
Materials and services	262,169	262,169	211,374	50,795
Rents and leases	153,724	153,724	157,280	(3,556)
Miscellaneous	600,641	600,641	603,452	(2,811)
Total expenditures	<u>3,857,987</u>	<u>3,857,987</u>	<u>3,584,100</u>	<u>273,887</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(717,599)</u>	<u>(717,599)</u>	<u>(937,218)</u>	<u>(219,619)</u>
Net change in fund balance	<u>\$ (717,599)</u>	<u>\$ (717,599)</u>	<u>(937,218)</u>	<u>\$ (219,619)</u>
FUND BALANCE:				
Beginning of year			<u>1,163,396</u>	
End of year			<u>\$ 226,178</u>	

This page intentionally left blank.

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of the SMC Fire's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2021

Miscellaneous Plans

Measurement period, year ended	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	-0.000018%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset) \$	(758)	n/a	n/a	n/a	n/a	n/a
Plan's covered-employee payroll \$	891,579	\$ 340,208	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-0.09%	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position \$	89,684	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position as a percentage of the total pension liability (asset)	-0.85%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of aggregate employer contributions \$	78,522	\$ 29,267	n/a	n/a	n/a	n/a

¹ Information only presented from the implementation year
n/a - information is not available, as the Department started their operation in January 2019

Safety Plans

Measurement period, year ended	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.016785%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset) \$	11,183	n/a	n/a	n/a	n/a	n/a
Plan's covered-employee payroll \$	19,845,055	\$ 18,507,379	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	264.66%	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position \$	3,272,497	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position as a percentage of the total pension liability (asset)	0.34%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of aggregate employer contributions \$	4,075,340	\$ 1,695,816	n/a	n/a	n/a	n/a

¹ Information only presented from the implementation year
n/a - information is not available, as the Department started their operation in January 2019

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions - Pension
For the Year Ended June 30, 2021

Miscellaneous Plans

Fiscal Year:	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15¹</u>
Contractually determined contribution (actuarially determined)	\$ 79,561	\$ 78,522	\$ 29,267	n/a	n/a	n/a	n/a
Contributions in relation to the actuarially determined contributions	(79,561)	(78,522)	(29,267)	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 918,326	\$ 891,579	\$ 340,208	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	8.66%	8.81%	8.60%	n/a	n/a	n/a	n/a

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2021 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.63%
Salary increases	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.00% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2016 CalPERS Experience Study for the period from 1997 and 2011.
Mortality	The probabilities of mortality are based on the 2016 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

¹ Information only presented from the implementation year

n/a - information is not available, as the Department started their operation in January 2019

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions – Pension (Continued)
For the Year Ended June 30, 2021

Safety Plans

Fiscal Year:	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15¹</u>
Contractually determined contribution (actuarially determined)	\$ 4,403,851	\$ 4,075,340	\$ 1,695,816	n/a	n/a	n/a	n/a
Contributions in relation to the actuarially determined contributions	(4,403,851)	(4,075,340)	(1,695,816)	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 20,440,407	\$ 19,845,055	\$ 18,507,379	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	21.54%	20.54%	9.16%	n/a	n/a	n/a	n/a

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2021 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.63%
Salary increases	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.00% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2016 CalPERS Experience Study for the period from 1997 and 2011.
Mortality	The probabilities of mortality are based on the 2016 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

¹ Information only presented from the implementation year
n/a - information is not available, as the Department started their operation in January 2019

San Mateo Consolidated Fire Department
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

Measurement period, year ending:	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>1/13/2019¹</u>
Total OPEB liability			
Service cost	\$ 1,970,092	\$ 542,698	\$ -
Interest	90,609	10,492	-
Changes of benefit terms		-	
Differences between expected and actual experience	-	-	-
Changes of assumptions	643,809	65,557	-
Benefit payments, including refunds of member contributions	-	-	-
Net change in total OPEB liability	<u>2,704,510</u>	<u>618,747</u>	<u>-</u>
Total OPEB liability - beginning	<u>618,747</u>	<u>-</u>	<u>-</u>
Total OPEB liability - ending (a)	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>	<u>\$ -</u>
OPEB fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	n/a
Covered-employee payroll	\$ 29,452,031	\$ 26,552,435	n/a
Plan net OPEB liability as a percentage of covered-employee payroll	11.28%	2.33%	n/a

¹ Information only presented from the implementation year

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

Internal Service Funds

Benefits and Dental Fund - This fund is used to account for SMC Fire's charges for expenditures relating to the employee benefits other than those accounted for in the Workers' Compensation and Comprehensive Liability Insurance Fund.

Vehicle & Equipment Replacement Fund - This fund is used to account for SMC Fire's charges to for acquisition of vehicles, equipment, and fire engines.

Workers' Compensation and Comprehensive Liability Insurance Fund - This fund is used to account for all workers' compensation activities, and general liability transactions.

San Mateo Consolidated Fire Department
Combining Statement of Net Position
All Internal Service Funds
June 30, 2021

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 3,800,578	\$ 2,049,091	\$ 1,460,160	\$ 7,309,829
Total current assets	<u>3,800,578</u>	<u>2,049,091</u>	<u>1,460,160</u>	<u>7,309,829</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	2,390,427	-	-	2,390,427
Depreciable, net	431,144	-	-	431,144
Total capital assets	<u>2,821,571</u>	<u>-</u>	<u>-</u>	<u>2,821,571</u>
Total noncurrent assets	<u>2,821,571</u>	<u>-</u>	<u>-</u>	<u>2,821,571</u>
Total assets	<u>6,622,149</u>	<u>2,049,091</u>	<u>1,460,160</u>	<u>10,131,400</u>
LIABILITIES				
Current liabilities:				
Accounts payable	57,318	10,154	186	67,658
Total current liabilities	<u>57,318</u>	<u>10,154</u>	<u>186</u>	<u>67,658</u>
Total liabilities	<u>57,318</u>	<u>10,154</u>	<u>186</u>	<u>67,658</u>
NET POSITION				
Investment in capital assets	2,821,571	-	-	2,821,571
Unrestricted	3,743,260	2,038,937	1,459,974	7,242,171
Total net position	<u>\$ 6,564,831</u>	<u>\$ 2,038,937</u>	<u>\$ 1,459,974</u>	<u>\$ 10,063,742</u>

San Mateo Consolidated Fire Department
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2021

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
OPERATING REVENUES:				
Charges for services	\$ 1,099,000	\$ 8,545,095	\$ 2,557,302	\$ 12,201,397
Insurance reimbursement	-	-	636,615	636,615
Total operating revenues	1,099,000	8,545,095	3,193,917	12,838,012
OPERATING EXPENSES:				
Materials and services	219,570	7,763,717	2,271,327	10,254,614
Depreciation	40,475	-	-	40,475
Total operating expenses	260,045	7,763,717	2,271,327	10,295,089
OPERATING INCOME (LOSS)	838,955	781,378	922,590	2,542,923
NONOPERATING REVENUES (EXPENSES):				
Interest income	1,937	-	-	1,937
Total nonoperating revenues (expenses)	1,937	-	-	1,937
Changes in net position	840,892	781,378	922,590	2,544,860
NET POSITION:				
Beginning of year	5,723,939	1,257,559	537,384	7,518,882
End of year	<u>\$ 6,564,831</u>	<u>\$ 2,038,937</u>	<u>\$ 1,459,974</u>	<u>\$ 10,063,742</u>

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2021

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from interfund services provided	\$ 1,099,000	\$ 8,545,095	\$ 2,557,302	\$ 12,201,397
Cash received from insurance reimbursements	-	-	636,615	636,615
Cash payments to suppliers for goods and services	(173,488)	(7,753,860)	(2,271,141)	(10,198,489)
Net cash provided by operating activities	<u>925,512</u>	<u>791,235</u>	<u>922,776</u>	<u>2,639,523</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets, net	(2,618,157)	-	-	(2,618,157)
Net cash (used in) capital and related financing activities	<u>(2,618,157)</u>	<u>-</u>	<u>-</u>	<u>(2,618,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,937	-	-	1,937
Net cash provided by investing activities	<u>1,937</u>	<u>-</u>	<u>-</u>	<u>1,937</u>
Net change in cash and cash equivalents	(1,690,708)	791,235	922,776	23,303
CASH AND CASH EQUIVALENTS:				
Beginning of year	5,491,286	1,257,856	537,384	7,286,526
End of year	<u>\$ 3,800,578</u>	<u>\$ 2,049,091</u>	<u>\$ 1,460,160</u>	<u>\$ 7,309,829</u>

(Continued)

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2021

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 838,955	\$ 781,378	\$ 922,590	\$ 2,542,923
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	40,475	-	-	40,475
Changes in operating assets and liabilities:				
Accounts payable	46,082	9,857	186	56,125
Total adjustments	86,557	9,857	186	96,600
Net cash provided by operating activities	\$ 925,512	\$ 791,235	\$ 922,776	\$ 2,639,523

(Concluded)

This page intentionally left blank.

STATISTICAL SECTION

This page intentionally left blank.

STATISTICAL SECTION (Unaudited)

This part of San Mateo Consolidated Fire Department’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Department's overall financial condition.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.	85-88
Revenue Capacity These schedules contain information to help the reader assess the Member Cities ability to generate its major sources for funding the Department.	89-90
Demographic and Economic Information This schedule offers demographic and economic indicators to help the reader understand the environment within which the Department’s financial activities take place.	91
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Department’s financial report relates to the services the Department provides and the activities it performs.	92-93

This page intentionally left blank.

San Mateo Consolidated Fire Department
Net Position by Component
(accrual basis of accounting)

	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
Governmental Activities			
Net investment in capital assets	\$ 5,794,757	\$ 5,386,986	\$ 7,446,074
Unrestricted	7,044,867	12,712,104	10,645,269
Total Governmental Activities Net Position	\$ 12,839,624	\$ 18,099,090	\$ 18,091,343

Notes:

(1) San Mateo Consolidated Fire Department commenced its operation on Jan. 13, 2019.
Fiscal year 2019 data above is for the period from 1/13/2019 through 6/30/2019.

Source: San Mateo Consolidated Fire Department audited financial statements

San Mateo Consolidated Fire Department
Changes in Net Position
(accrual basis of accounting)

	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
Governmental Activities			
Expenses			
Personnel	\$ 11,249,779	\$ 34,264,066	\$ 40,034,358
Material and services	5,522,838	3,185,245	5,394,739
Rent and leases	62,020	151,263	157,280
Miscellaneous	233,996	569,274	603,452
Depreciation	301,088	617,450	644,467
Total Expenses	<u>17,369,721</u>	<u>38,787,298</u>	<u>46,834,296</u>
Program Revenues			
Charges for Services	1,394,330	2,217,340	2,447,723
Operating Contributions	20,234,721	37,436,536	44,202,114
Capital Contributions	2,645,192	2,130,039	-
Total Program Revenues	<u>24,274,243</u>	<u>41,783,915</u>	<u>46,649,837</u>
Net Program Revenue/(Expenses)	6,904,522	2,996,617	(184,459)
General Revenues			
Other revenues	1,054,377	1,986,200	1,937
Interest income	156,213	276,649	174,775
Total General Revenues	<u>1,210,590</u>	<u>2,262,849</u>	<u>176,712</u>
Change in Net Position	8,115,112	5,259,466	(7,747)
Net Position - Beginning	4,724,512	12,839,624	18,099,090
Net Position - Ending	<u>\$ 12,839,624</u>	<u>\$ 18,099,090</u>	<u>\$ 18,091,343</u>

San Mateo Consolidated Fire Department
Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
General Fund			
Nonspendable fund balance	\$ -	\$ 17,097	\$ 17,097
Assigned fund balance	-	100	100
Unassigned fund balance	862,901	1,339,847	1,444,539
Total General Fund	\$ 862,901	\$ 1,357,044	\$ 1,461,736
All Other Governmental Funds			
Committed fund balance	\$ 2,783,842	\$ 1,163,396	\$ 226,178
Total all other Governmental Funds	\$ 2,783,842	\$ 1,163,396	\$ 226,178

Notes:

(1) San Mateo Consolidated Fire Department commenced its operation on Jan. 13, 2019.

Fiscal year 2019 data above is for the period from 1/13/2019 through 6/30/2019.

Source: San Mateo Consolidated Fire Department audited financial statements

San Mateo Consolidated Fire Department
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
Revenues:			
Intergovernmental:			
Contributions from City of Belmont	\$ 3,300,610	\$ 7,487,307	\$ 7,939,627
Contributions from City of Foster City	3,300,610	7,487,307	7,939,627
Contributions from City of San Mateo	12,824,001	22,461,922	23,818,880
Grants and other intergovernmental	439,389	1,295,899	4,503,980
Charges for services	1,394,329	2,217,340	2,447,723
Other revenues	570,150	451,526	174,775
Interest income	127,517	187,520	-
Total Revenues	<u>21,956,606</u>	<u>41,588,821</u>	<u>46,824,612</u>
Expenditures:			
Personnel costs	16,736,588	37,253,454	41,416,269
Material and services	1,277,259	3,411,133	5,394,739
Rent and leases	62,020	151,263	157,280
Miscellaneous	233,996	569,274	603,452
Capital Outlay	-	1,100,000	85,398
Total Expenditures	<u>18,309,863</u>	<u>42,485,124</u>	<u>47,657,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,646,743	(896,303)	(832,526)
Other Financing Sources (Uses):			
Transfer out	-	(230,000)	-
Total other financing sources(uses)	<u>-</u>	<u>(230,000)</u>	<u>-</u>
Net Change in Fund Balances	3,646,743	(1,126,303)	(832,526)
Beginning Fund Balances	-	3,646,743	2,520,440
Ending Fund Balances	<u>\$ 3,646,743</u>	<u>\$ 2,520,440</u>	<u>\$ 1,687,914</u>

Notes:

(1) San Mateo Consolidated Fire Department commenced its operation on Jan. 13, 2019.

Fiscal year 2019 data above is for the period from 1/13/2019 through 6/30/2019.

Source: San Mateo Consolidated Fire Department audited financial statements

San Mateo Consolidated Fire Department
Governmental Funds Revenues by Sources
(modified accrual basis of accounting)

	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
Revenues:			
Contribution from City of Belmont	\$ 3,300,610	\$ 7,487,307	\$ 7,939,627
Contribution from City of Foster City	3,300,610	7,487,307	7,939,627
Contribution from City of San Mateo	12,824,001	22,461,922	23,818,880
Grants and other intergovernmental	439,389	1,295,899	4,503,980
Charges for services	1,394,329	2,217,340	2,447,723
Other revenues	570,150	451,526	174,775
Interest income	127,517	187,520	-
Total Revenues	<u>\$ 21,956,606</u>	<u>\$ 41,588,821</u>	<u>\$ 46,824,612</u>

Notes:

(1) San Mateo Consolidated Fire Department commenced its operation on Jan. 13, 2019.
Fiscal year 2019 data above is for the period from 1/13/2019 through 6/30/2019.

Source: San Mateo Consolidated Fire Department audited financial statements

CITY OF BELMONT, CITY OF FOSTER CITY AND CITY OF SAN MATEO (MEMBER CITIES)
Governmental Activities Major General Revenues By Source
Last Five Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	Transient Occupancy Taxes	Franchise Fee	Other Revenues (1)
City of Belmont					
2016	14,132,122	3,613,991	2,338,135	1,619,124	2,436,212
2017	15,527,210	3,882,588	2,381,244	1,546,473	2,619,042
2018	16,894,686	5,134,206	2,697,686	1,341,714	2,786,304
2019	18,038,474	5,543,213	3,577,080	1,339,415	2,987,318
2020	19,236,918	5,128,787	3,793,530	1,383,475	3,076,967
2021	n/a	n/a	n/a	n/a	n/a
City of Foster City					
2016	25,042,950	3,892,638	2,820,879	1,182,060	2,032,180
2017	27,249,762	3,780,217	2,914,905	1,190,454	2,096,693
2018	29,967,500	4,141,017	3,518,966	1,178,643	2,109,503
2019	33,612,508	4,513,774	4,389,794	1,151,822	2,180,845
2020	35,186,668	4,424,946	3,506,101	1,213,162	2,052,913
2021	n/a	n/a	n/a	n/a	n/a
City of San Mateo					
2016	49,821,722	27,458,762	8,866,036	3,143,082	15,948,138
2017	52,989,559	26,001,431	8,636,992	3,142,369	18,134,842
2018	58,137,331	26,313,958	8,750,353	3,208,096	17,869,559
2019	63,899,034	28,606,235	8,435,377	3,134,906	20,430,720
2020	67,106,048	26,958,595	5,090,202	3,170,550	15,220,303
2021	n/a	n/a	n/a	n/a	n/a

Note:

(1) Other revenues include property transfer taxes, business license tax, motor vehicle in lieu and other taxes.

Source: City of Belmont, City of Foster City and City of San Mateo audited financial statements

Information is the latest available for this report.

CITY OF BELMONT, CITY OF FOSTER CITY AND CITY OF SAN MATEO
(MEMBER CITIES)
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income (\$)	City Unemployment Rate
CITY OF BELMONT			
2012	26,123	n/a	n/a
2013	26,316	n/a	n/a
2014	26,559	n/a	n/a
2015	26,748	n/a	n/a
2016	27,608	n/a	n/a
2017	27,343	n/a	n/a
2018	27,388	n/a	n/a
2019	27,174	n/a	n/a
2020	26,813	n/a	n/a
2021	n/a	n/a	n/a
CITY OF FOSTER CITY			
2012	30,895	51,690	5.2%
2013	31,120	50,947	4.0%
2014	32,168	51,120	3.1%
2015	32,187	52,998	3.9%
2016	33,201	56,051	3.1%
2017	33,225	59,862	2.8%
2018	33,490	64,751	2.5%
2019	33,693	69,512	2.0%
2020	33,033	n/a	2.0%
2021	n/a	n/a	n/a
CITY OF SAN MATEO			
2012	98,298	43,900	5.0%
2013	99,061	44,719	5.3%
2014	100,106	45,659	4.3%
2015	101,429	46,304	3.1%
2016	102,659	50,226	3.3%
2017	103,426	52,643	2.9%
2018	104,490	55,992	2.0%
2019	104,570	59,060	1.6%
2020	103,087	61,426	9.7%
2021	n/a	n/a	n/a

Source: City of Belmont, City of Foster City and City of San Mateo audited financial statements

Information is latest available for this report.

San Mateo Consolidated Fire Department
Operating Indicators by Function

<u>OPERATING INDICATORS</u>	FISCAL YEAR		
	<u>2019⁽¹⁾</u>	<u>2020</u>	<u>2021</u>
Number of call response by incident type:			
Rescue and emergency medical	4321	8570	8897
Good intent call	930	1764	1492
Service call	572	1437	1285
False call	532	967	971
Hazardous condition	177	354	305
Fire and explosions	87	241	229
Overpressure/rupture /explosion	15	17	22
Severe weather	2	4	6
Other type of situation found	71	104	933
Community risk reduction:			
Inspections - multi-residential	910	1463	2133
Inspections - commercial	580	734	320
Plan checks - fire related construction	562	1711	1544
Inspections - construction	507	1060	488
Inspections - K-12 schools	21	25	48
Fire Investigations	14	54	37
Inspections - high-rise	1	28	21
Public education events	15	34	34
Training events	30	64	26

Notes:

(1) San Mateo Consolidated Fire Department commenced its operation on Jan. 13, 2019.

Fiscal year 2019 data above is for the period from 1/13/2019 through 6/30/2019.

Source: San Mateo Consolidated Fire Department

**San Mateo Consolidated Fire Department
Capital Assets Statistics**

	(as of June 30)		
	FISCAL YEAR		
<u>CAPITAL ASSETS</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Number of stations	9	9	9
Number of automobiles	25	28	29
Number of pumpers/fire engines	24	21	21
Number of trailers	19	19	23
Number of jet ski	2	2	4
Number of boat	1	1	2

Source: San Mateo Consolidated Fire Department

This page intentionally left blank.



**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***

Independent Auditors' Report

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Consolidated Fire Department ("SMC Fire"), as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise SMC Fire's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMC Fire's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMC Fire's internal control. Accordingly, we do not express an opinion on the effectiveness of SMC Fire'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 SMC Fire's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California
Page 2

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.

The PwC Group, LLP

Walnut Creek, California
October 13, 2021