

# **San Mateo Consolidated Fire Department**

Foster City, California

## **Annual Financial Report**

*For the Year Ended June 30, 2022*

Prepared by  
City of San Mateo Finance Department



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Annual Financial Report  
For the Year Ended June 30, 2022  
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## INDEPENDENT AUDITORS' REPORT

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

### Opinions

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, 2022, and the related notes to the basic financial statements, which collectively comprise the SMC Fire's basic financial statements as listed in the table of contents.

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 the SMC Fire, as of June 30, 2022, 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.

### Basis for Opinions

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

### Emphasis of Matter

#### *Implementation of New GASB Pronouncements*

As discussed in Note 1 to the basic financial statements, SMC Fire implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. As a result of the implementation, SMC Fire reported a restatement of its net position in the amount of \$55,827. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SMC Fire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SMC Fire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of SMC Fire's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios, Schedules of Contributions – Pension, and Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 5 through 17 and 69 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

To the Honorable Chair and Members of the Board  
of the San Mateo Consolidated Fire Department  
Foster City, California  
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**Supplementary 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 Combining Internal Service Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Internal Service Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California  
October 3, 2022

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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, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes. The focus of the information herein is on the primary government.

### FINANCIAL HIGHLIGHTS

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- SMC Fire commenced operations on January 13, 2019. As such, the fiscal year ended June 30, 2022 marked SMC Fire's third full fiscal year.
- At the close of the fiscal year, SMC Fire had \$21.3 million in total assets, which was an increase of \$2.6 million compared to the prior fiscal year, largely due to the addition of \$2.7 million in capital assets, which reflects the purchase of one new engine and one new fire truck.
- Of the total net position of \$21.9 million, \$9.6 million was for net investment in capital assets, and \$12.3 million in unrestricted net position. The \$2.2 million increase in net investment in capital assets and \$1.7 million increase in unrestricted net position is primarily due to the planned purchase of a fire engine and a fire truck, which decreased cash and increased equipment in progress, as the engines will not be delivered and put into service until July 2024.
- SMC Fire accounted for \$44.4 million in expenses, a decrease of 2.4 million or 5.2%. The largest categorical decrease was in personnel costs, which decreased by 7.3 percent, from \$40.0 million in the prior fiscal year to \$37.1 million in fiscal year 2021-22, primarily due to an accounting adjustment related to pension to reflect changes from deferred inflows/outflows and a net pension asset.
- SMC Fire's Program Revenues totaled \$48.1 million, an increase of \$1.5 million or 3.2%, driven by a \$1.1 million increase in operating contributions the member agencies.

### 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.

### 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of 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 budget for the General Fund and the Fire Prevention Fund. Budgetary comparison schedules are included in the Required Supplementary Information section, beginning on page 67, 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 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 - 64 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. Supplementary information can be found on pages 78 - 81 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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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 \$21.9 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, \$9.6 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 \$12.3 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, 2022.

**STATEMENT OF NET POSITION**  
(Amounts in millions)

	Governmental Activities	
	2021-22	2020-21
Current and other assets	\$ 11.5	\$ 11.2
Capital assets	9.8	7.4
<b>Total assets</b>	<b>21.3</b>	<b>18.7</b>
Deferred outflows - pension related amounts	10.5	7.4
Deferred outflows - OPEB related amounts	0.6	0.7
<b>Total deferred outflows of resources</b>	<b>11.1</b>	<b>8.1</b>
Current liabilities	2.9	3.3
Non-current liabilities	4.7	5.4
<b>Total liabilities</b>	<b>7.6</b>	<b>8.7</b>
Deferred inflows - pension related amounts	0.3	0.0
Deferred inflows - OPEB related amounts	2.6	0.1
<b>Total deferred inflows of resources</b>	<b>2.9</b>	<b>0.1</b>
<b>Net position:</b>		
Net investment in capital assets	9.6	7.4
Unrestricted	12.3	10.6
<b>Total net position</b>	<b>\$ 21.9</b>	<b>\$ 18.1</b>

*Totals may not add up due to rounding.*

**STATEMENT OF ACTIVITIES**  
(Amounts in millions)

	<b>Governmental Activities</b>	
	<b>2021-22</b>	<b>2020-21</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2.7	\$ 2.4
Operating grants and contributions	45.3	44.2
Capital grants and contributions	0.1	-
General revenues:		
Investment income (loss)	(0.0)	0.0
Gain (loss) on sale of capital assets	(0.0)	-
Miscellaneous revenue	0.1	0.2
<b>Total revenues</b>	<b>48.2</b>	<b>46.8</b>
<b>Expenses:</b>		
Personnel	37.1	40.0
Materials and services	5.6	5.4
Payments to other agencies	0.6	0.6
Miscellaneous	0.2	0.2
Depreciation	0.8	0.6
<b>Total expenses</b>	<b>44.4</b>	<b>46.8</b>
<b>Change in net position</b>	<b>3.8</b>	<b>(0.0)</b>
Net position - beginning of year	18.1	18.1
<b>Net position - end of year</b>	<b>\$ 21.9</b>	<b>\$ 18.1</b>

*Totals may not add up due to rounding.*

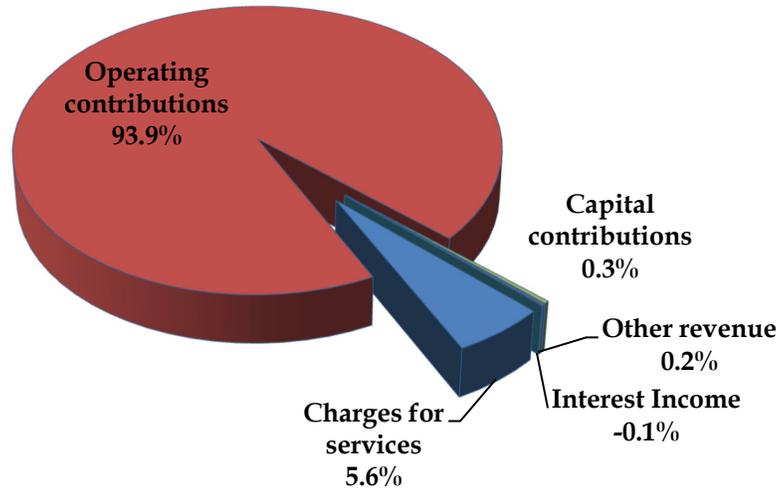
GOVERNMENTAL ACTIVITIES

Governmental activities increased total net position to \$21.9 million. Key elements contributing to the result are described below.

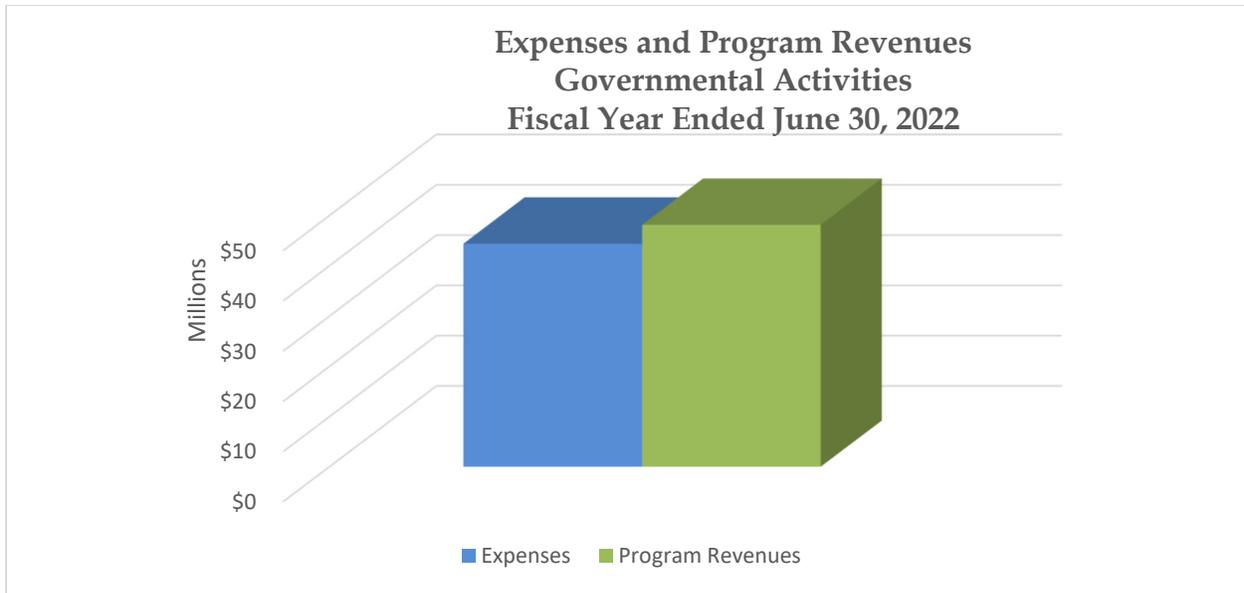
- Overall, total revenues from governmental activities were \$48.1 million, largely attributed to \$45.3 million in contributions from member agencies for their proportional share of SMC Fire's operating costs, which excludes the activities of the Fire Prevention Fund that is administered on a cost recovery 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 \$44.3 million, primarily consisting of \$37.1 million in personnel costs. As noted earlier, the primary driver for the decrease in personnel costs was an accounting adjustment related to pension to reflect changes from deferred inflows/outflows and a net pension asset.

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, 2022**



*Total Governmental Activities Revenues: \$48.2 million*



The cost of all governmental activities for the fiscal year ended June 30, 2022 was \$44.4 million. Some of the costs were paid by those directly benefiting from the programs (\$2.7 million) or by contributions from the member agencies (\$45.3 million). SMC Fire paid for the remaining “public benefit” portion of governmental activities with \$0.1 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, 2022, SMC Fire’s governmental funds reported a combined ending fund balance of \$0.8 million, of which the General Fund accounted for \$0.5 million, and the remaining fund balance attributable to the Fire Prevention Fund. The General Fund experienced a reduction of fund balance of \$0.8 million, largely due to the additional cost of overtime from mutual aid response and the impact of COVID-19 on SMC Fire’s operations. Of the total fund balances, \$0.5 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 \$0.5 million. As a measure of liquidity, the unassigned fund balance can be compared to total fund expenditures. Unassigned fund balance represents 1.1% of total General Fund expenditures of \$46.2 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 \$45.4 million in revenues for the fiscal year ended June 30, 2022, which was an increase of \$1.2 million or 2.7% compared to the prior fiscal year. The increase was primarily attributable to a \$2.6 million increase in operating contributions from the member agencies offset by a reduction of \$1.0 million in grants and other intergovernmental revenues compared to the prior year.

SMC Fire's General Fund accounted for \$46.2 million in expenditures for the same period, which was an increase of \$2.1 million, or 4.8% compared to the prior fiscal year. The increase was principally due to \$2.0 million in additional personnel costs, which reflects negotiated increases in employee compensation and overtime costs from mutual aid responses and the impact of COVID-19 on SMC Fire operations.

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 \$2.7 million, of which SMC Fire's service charges of \$2.4 million represented the majority. Total expenditures for the same period were \$2.7 million, a decrease of \$0.9 million, or 25.9%, and indicative of the Bureau's efforts to control costs of 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 \$12.4 million as of June 30, 2022. The Vehicle & Equipment Replacement Fund's net position comprised 60.5% of the total internal service funds' net position, followed by the Benefit and Dental Fund, which comprised 22.5% of the total.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$0.3 million more than the final budget, while General Fund expenditures were \$0.3 million over the final budget. The favorable budget variance for General Fund revenues was largely due to grants and over intergovernmental revenues that were greater than what was assumed in the final budget. The unfavorable budget variance for General Fund expenditures was primarily attributable to the remaining balance of commitments related to the Assistance to Firefighters Grant (AFG) that helped SMC Fire replace its self-contained breathing apparatuses (SCBAs).

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)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Results</b>	<b>Variance from Final Budget Favorable (Unfavorable)</b>
<b>Ending fund balance</b>	\$ -	\$ -	\$ 1.4	\$ 1.4
<b>Resources:</b>				
Revenues	43.0	45.1	45.4	0.3
<b>Total resources</b>	<b>43.0</b>	<b>45.1</b>	<b>45.4</b>	<b>0.3</b>
<b>Charges to appropriations:</b>				
Expenditures	43.0	45.9	46.2	(0.3)
Transfers out	-	0.1	0.1	-
<b>Total charges</b>	<b>43.0</b>	<b>46.0</b>	<b>46.3</b>	<b>(0.3)</b>
Net change in fund balance	-	(0.8)	(0.9)	-
<b>Ending fund balance</b>	<b>\$ -</b>	<b>\$ (0.8)</b>	<b>\$ 0.5</b>	<b>\$ 1.4</b>

Given the above results, General Fund expenditures exceeded revenues by \$0.9 million for the current fiscal year. At the end of the fiscal year, the total General Fund balance was \$0.5 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

CAPITAL ASSETS

SMC Fire invested \$2.7 million in capital assets for the fiscal year ended June 30, 2022. This investment in capital assets primarily reflected the purchase of an aerial ladder truck and a fire engine that are expected to be put into service in 2024 due to an extended wait period of 800 days compared to the historical 300 days of build time, which reflects supply chain and labor impacts. Additional information on SMC Fire's capital assets can be found in Note 4 on page 52 of this report.

CAPITAL ASSETS

(Amounts in millions)

	Governmental Activities	
	2021-22	2020-21
Non-depreciable assets:		
Equipment in progress	\$ 2.7	\$ 2.4
Total non-depreciable assets	<u>2.7</u>	<u>2.4</u>
Depreciable assets:		
Machinery & Equipment	9.1	6.6
Less: accumulated depreciation	(2.2)	(1.6)
Total depreciable assets (net)	<u>6.9</u>	<u>5.1</u>
Leased assets being amortized:		
Machinery & Equipment	0.3	-
Less: accumulated amortization	(0.1)	-
Total amortizable assets (net)	<u>0.2</u>	<u>-</u>
<b>Total capital assets</b>	<b>\$ 9.8</b>	<b>\$ 7.4</b>

LONG-TERM DEBT

SMC Fire's total long-term debt as of June 30, 2022 is \$2.9 million. Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 87, the financial statement reflects \$0.2 million in leases payable as of June 30, 2022, of which \$0.1 million is due within one year. At the end of the current fiscal year, SMC Fire had outstanding compensated absences of \$2.7 million; \$0.9 million of which was projected to be due within one year, while the remaining \$1.8 million is due in more than one year.

LONG-TERM LIABILITIES

(Amounts in millions)

	Governmental Activities	
	2021-22	2020-21
Compensated absences	\$ 2.7	\$ 3.1
Leases payable	0.2	-
<b>Total long-term liabilities</b>	<b>\$ 2.8</b>	<b>\$ 3.1</b>

## 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 were significantly impacted by COVID-19 - specifically tax revenues that are based on transactions, such as sales tax and transient occupancy tax (TOT).

While San Mateo's sales tax revenues have recovered back to the 2018-19 pre-pandemic baseline, TOT revenues have not. While TOT recovery has been faster than previously projected, 2021-22 TOT revenues are only 55.5% of the 2018-19 baseline for San Mateo.

Similarly, while Foster City's sales tax revenues for FY 2021-22 have surpassed the FY 2018-19 level, TOT revenues are only 45.2% of the FY 2018-19 level.

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, 2022 for a single family home in the service area was \$2.6 million for Belmont and Foster City, and \$2.3 million for San Mateo. However, the Federal Reserve System's efforts to address inflationary pressure by raising the federal funds rate has made it more difficult for prospective homeowners to borrow money, which is expected to soften the real estate market.

The service area of SMC Fire is part of the San Francisco-Redwood City-South San Francisco Metropolitan Area. 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 2022 unemployment rate has dropped to 2.3% in the Metropolitan Area.

Overall, the adopted 2022-23 General Fund budget reflects a balanced budget, with revenues and expenditures of \$44.8 million each.

## REQUESTS FOR INFORMATION

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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 20<sup>th</sup> Avenue, San Mateo, California, 94403.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**San Mateo Consolidated Fire Department**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 8,375,278
Accounts receivable, net	1,316,335
Interest receivable	12,940
Prepaid items and deposits	40,274
Total current assets	9,744,827
Noncurrent assets:	
Net pension asset (Note 8)	1,796,905
Capital assets:	
Non-depreciable	2,704,793
Depreciable, net	7,074,932
Total capital assets	9,779,725
Total noncurrent assets	11,576,630
<b>Total assets</b>	<b>21,321,457</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	10,519,065
Related to OPEB	603,585
<b>Total deferred outflows of resources</b>	<b>11,122,650</b>

**San Mateo Consolidated Fire Department**  
**Statement of Net Position (Continued)**  
**June 30, 2022**

	Primary Government
	Governmental Activities
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	772,124
Accrued payroll	1,160,073
Deposits payable	11,199
Compensated absences - due within one year	851,119
Long-term debt - due within one year	91,785
<b>Total current liabilities</b>	<b>2,886,300</b>
Noncurrent liabilities:	
Total OPEB liability	2,835,505
Compensated absences - due in more than one year	1,808,627
Long-term debt - due in more than one year	71,666
<b>Total noncurrent liabilities</b>	<b>4,715,798</b>
<b>Total liabilities</b>	<b>7,602,098</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	304,418
Related to OPEB	2,580,463
<b>Total deferred inflows of resources</b>	<b>2,884,881</b>
<b>NET POSITION</b>	
Net investment in capital assets	9,616,274
Unrestricted	12,340,854
<b>Total net position</b>	<b>\$ 21,957,128</b>

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**San Mateo Consolidated Fire Department**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2022**

	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs</b>	Governmental Activities
<b>Expenses:</b>	
Governmental activities:	
Personnel	\$ 37,100,131
Materials and services	5,625,893
Payments to other agencies	642,983
Miscellaneous	217,845
Depreciation/amortization	812,070
Total governmental activities	44,398,922
<b>Program revenues:</b>	
Charges of services	2,712,199
Operating contributions	45,303,996
Capital contributions	144,050
<b>Total program revenues</b>	48,160,245
<b>General Revenues:</b>	
Investment income (loss)	(24,285)
Gain (loss) on sale of capital assets	(17,606)
Miscellaneous revenue	90,526
<b>Total general revenues</b>	48,635
<b>Change in net position</b>	3,809,958
<b>Net Position:</b>	
Beginning of year, as restated (Note 12)	18,147,170
End of year	\$ 21,957,128

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## **FUND FINANCIAL STATEMENTS**

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## **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, 2022**

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,377,274	\$ -	\$ 1,377,274
Accounts receivable, net	657,832	658,503	1,316,335
Interest receivable	12,940	-	12,940
Due from other funds	280,076	-	280,076
Prepaid items	30,607	9,667	40,274
<b>Total assets</b>	<b>\$ 2,358,729</b>	<b>\$ 668,170</b>	<b>\$ 3,026,899</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 647,836	\$ 72,364	\$ 720,200
Accrued payroll	1,160,073	-	1,160,073
Due to other funds	-	280,076	280,076
Deposits payable	598	10,601	11,199
<b>Total liabilities</b>	<b>1,808,507</b>	<b>363,041</b>	<b>2,171,548</b>
<b>Fund Balances:</b>			
Nonspendable	30,607	9,667	40,274
Committed	-	295,462	295,462
Unassigned	519,615	-	519,615
<b>Total fund balances</b>	<b>550,222</b>	<b>305,129</b>	<b>855,351</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,358,729</b>	<b>\$ 668,170</b>	<b>\$ 3,026,899</b>

**San Mateo Consolidated Fire Department  
Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Position  
June 30, 2022**

<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 855,351</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	9,779,725
Less: capital assets reported in Internal Service Funds	<u>(5,451,863)</u>
Total capital assets	<u>4,327,862</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	
Long-term debt - due within one year	(71,666)
Long-term debt - due in more than one year	(91,785)
Compensated absences - due within one year	(851,119)
Compensated absences - due in more than one year	<u>(1,808,627)</u>
Total long-term liabilities	<u>(2,823,197)</u>
Aggregate net pension asset 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	1,796,905
Total OPEB liability	<u>(2,835,505)</u>
Total net pension liability and total OPEB liability	<u>(1,038,600)</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	603,585
Deferred outflows of resources related to pensions	<u>10,519,065</u>
Total deferred outflows of resources	<u>11,122,650</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 OPEB	(2,580,463)
Deferred inflows of resources related to pensions	<u>(304,418)</u>
Total deferred inflows of resources	<u>(2,884,881)</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>12,397,943</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 21,957,128</u></u>

**San Mateo Consolidated Fire Department**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	Major Funds		
	General Fund	Fire Prevention Special Revenue Fund	Total Governmental Funds
<b>REVENUES:</b>			
Intergovernmental:			
Contributions from City of Belmont	\$ 8,405,749	\$ -	\$ 8,405,749
Contributions from City of Foster City	8,405,749	-	8,405,749
Contributions from City of San Mateo	25,217,246	-	25,217,246
Grants and other intergovernmental	3,268,180	7,072	3,275,252
Charges for services	391	2,711,808	2,712,199
Other revenue	76,415	14,111	90,526
<b>Total revenues</b>	<b>45,373,730</b>	<b>2,732,991</b>	<b>48,106,721</b>
<b>EXPENDITURES:</b>			
Current:			
Personnel costs	40,790,326	1,449,074	42,239,400
Materials and services	5,275,297	350,596	5,625,893
Payments to other agencies	-	642,983	642,983
Miscellaneous	-	211,387	211,387
Debt service:			
Principal	95,206	-	95,206
Interest and fiscal charges	6,458	-	6,458
<b>Total expenditures</b>	<b>46,167,287</b>	<b>2,654,040</b>	<b>48,821,327</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(793,557)</b>	<b>78,951</b>	<b>(714,606)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	(117,957)	-	(117,957)
<b>Total other financing sources (uses)</b>	<b>(117,957)</b>	<b>-</b>	<b>(117,957)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(911,514)</b>	<b>78,951</b>	<b>(832,563)</b>
<b>FUND BALANCES:</b>			
Beginning of year	1,461,736	226,178	1,687,914
End of year	<u>\$ 550,222</u>	<u>\$ 305,129</u>	<u>\$ 855,351</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, 2022**

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**Total Fund Balances - Total Governmental Funds** \$ (832,563)

Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Depreciation/amortization 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/amortization expense, net of internal service funds of \$74,501, was not reported as expenditures in the Governmental Funds. (737,569)

In the Government-Wide Statement of Activities, donated assets are reported as a capital contribution. 144,050

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased net position. (17,606)

Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal payment of long-term debt 95,206

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. 393,318

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 1,796,147

Changes in pension related deferred outflows of resources 3,101,562

Changes in net pension liabilities 11,183

Changes in pension related deferred inflows of resources (303,030)

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 (82,230)

Changes in total OPEB liabilities 487,752

Changes in OPEB related deferred inflows of resources (2,580,463)

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. 2,334,201

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**Change in Net Position of Governmental Activities** **\$ 3,809,958**

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## **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, 2022**

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	Total Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 6,998,004
Total current assets	6,998,004
Noncurrent assets:	
Capital assets:	
Non-depreciable	2,704,793
Depreciable, net	2,747,070
Total capital assets	5,451,863
Total noncurrent assets	5,451,863
<b>Total assets</b>	12,449,867
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	51,924
Total current liabilities	51,924
<b>Total liabilities</b>	51,924
<b>NET POSITION</b>	
Investment in capital assets	5,451,863
Unrestricted	6,946,080
<b>Total net position</b>	\$ 12,397,943

**San Mateo Consolidated Fire Department**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

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	Total Internal Service Funds
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 12,495,358
Insurance reimbursement	548,293
<b>Total operating revenues</b>	13,043,651
<b>OPERATING EXPENSES:</b>	
Personnel costs	7,032,807
Materials and services	3,695,814
Depreciation	74,501
<b>Total operating expenses</b>	10,803,122
<b>OPERATING INCOME</b>	2,240,529
<b>NONOPERATING REVENUES:</b>	
Investment income	(24,285)
<b>Total nonoperating revenues</b>	(24,285)
<b>Changes in net position</b>	2,334,201
<b>NET POSITION:</b>	
Beginning of year	10,063,742
End of year	\$ 12,397,943

**San Mateo Consolidated Fire Department**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

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	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from interfund services provided	\$ 12,495,358
Cash received from insurance reimbursements	548,293
Cash payments to employees for services	(7,032,807)
Cash payments to suppliers for goods and services	(3,711,548)
<b>Net cash provided by operating activities</b>	<b>2,299,296</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets, net	(2,704,793)
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,704,793)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest from investments	(24,285)
<b>Net cash (used in) investing activities</b>	<b>(24,285)</b>
<b>Net change in cash and cash equivalents</b>	<b>(311,825)</b>
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	7,309,829
End of year	<b>\$ 6,998,004</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 2,240,529
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	74,501
Changes in operating assets and liabilities:	
Accounts payable	(15,734)
Total adjustments	58,767
<b>Net cash provided by operating activities</b>	<b>\$ 2,299,296</b>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**San Mateo Consolidated Fire Department**  
**Index of Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**San Mateo Consolidated Fire Department**  
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**For the Year Ended June 30, 2022**

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**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**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, 2022**

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**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
- Transfers in/out

*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, 2022**

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**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, 2022**

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**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. Leases**

Lessee

SMC Fire has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. SMC Fire recognizes lease liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a lease, SMC Fire initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that SMC Fire has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how SMC Fire determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- SMC Fire uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, SMC Fire generally uses its estimated incremental borrowing rate as the discount rate for leases.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

***F. Leases (Continued)***

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that SMC Fire is reasonably certain to exercise.

SMC Fire monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported with long-term debt on the Government-Wide Statement of Net Position.

***G. 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.

***H. 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, 2022**

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

***H. 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.

***I. 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, 2020
Measurement date	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021

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.

***J. 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, 2020
Measurement date	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

***J. 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.

***K. 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.

***L. Net Position***

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

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.

***M. 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, 2022**

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

***M. 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.

***N. 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.

***O. 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.

***P. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022***

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to SMC Fire, for the year ended June 30, 2022. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement did not have a significant effect on the SMC Fire’s financial statements for the year ended June 30, 2022.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 2 – Cash and Investments**

Cash and investments consisted of the following at June 30, 2022:

Cash on hand		\$	100
Demand deposits with financial institutions			1,075,203
<b>Total cash</b>			<b>1,075,303</b>
Local Agency Investment Fund (LAIF)			7,299,975
<b>Total investments</b>			<b>7,299,975</b>
<b>Total cash and investments</b>			<b>\$ 8,375,278</b>

**A. Deposits**

The carrying amount of SMC Fire’s cash deposits were \$1,075,203 at June 30, 2022. Bank balances before reconciling items were \$1,093,626 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.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 2 – Cash and Investments (Continued)**

**C. Risk Disclosures (Continued)**

As of June 30, 2022, SMC Fire had the following investments and maturities:

<u>Investments</u>	<u>Minimum Rating Required</u>	<u>Fair Value</u>	<u>Maturity 12 Months or Less</u>
Investments:			
Local Agency Investment Fund (LAIF)	NA	\$ 7,299,975	\$ 7,299,975
<b>Total Investments</b>		<u>\$ 7,299,975</u>	<u>\$ 7,299,975</u>

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, 2022, SMC Fire had the following investments and ratings.

<u>Investments</u>	<u>Credit Rating</u>	<u>Value</u>
Investments:		
Local Agency Investment Fund (LAIF)	Not Rated	\$ 7,299,975
<b>Total Investments</b>		<u>\$ 7,299,975</u>

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 deposits 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, 2022 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.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 2 – Cash and Investments (Continued)**

**D. Investments in Local Agency Investment Fund (Continued)**

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, 2022, SMC Fire had \$7,299,975 invested in LAIF, which had invested 1.88% 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, 2022.

**Note 3 – Interfund Balances and Transactions**

**A. Due To/Due From Other Funds**

At June 30, 2022, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Fire Prevention Special Revenue Fund	\$ 280,076	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.

**B. Transfers**

Interfund transfers during the year ended June 30, 2022, consisted of the following:

Transfers In	Transfers Out	Amount	Purpose
Vehicle & Equipment Replacement Internal Service Fund	General Fund	\$ 117,957	Capital Acquisition

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 4 – Capital Assets**

Summary of changes in capital assets activity for the year ended June 30, 2022, is shown below:

	Balance July 1, 2021, as restated	Additions	Deletions	Transfers	Balance June 30, 2022
Capital assets, not being depreciated					
Construction in progress	\$ 2,390,427	\$ 2,704,793	\$ -	\$ (2,390,427)	\$ 2,704,793
Total capital assets, not being depreciated	2,390,427	2,704,793	-	(2,390,427)	2,704,793
Capital assets, being depreciated					
Machinery & Equipment	6,618,652	144,050	(25,185)	2,390,427	9,127,944
Total capital assets, being depreciated	6,618,652	144,050	(25,185)	2,390,427	9,127,944
Less: accumulated depreciation:					
Machinery & Equipment	(1,563,005)	(689,406)	7,579	-	(2,244,832)
Total accumulated depreciation	(1,563,005)	(689,406)	7,579	-	(2,244,832)
Total capital assets, being depreciated, net	5,055,647	(545,356)	(17,606)	2,390,427	6,883,112
Leased assets, being amortized					
Machinery and equipment	314,484	-	-	-	314,484
Total leased assets, being amortized	314,484	-	-	-	314,484
Less: accumulated amortization					
Machinery and equipment	-	(122,664)	-	-	(122,664)
Total accumulated amortization	-	(122,664)	-	-	(122,664)
Total leased asset, being amortized, net	314,484	(122,664)	-	-	191,820
Total capital assets, net	\$ 7,760,558	\$ 2,036,773	\$ (17,606)	\$ -	\$ 9,779,725

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

Public safety - fire	\$ 737,569
Internal service funds	74,501
<b>Total depreciation expenses</b>	<b>\$ 812,070</b>

**Note 5 – Long-Term Debt**

A summary of changes in the long-term liabilities of the governmental activities for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021, as restated	Debt Issued	Debt Retired	Balance June 30, 2022	Classification	
					Due within One Year	Due in More Than One Year
Leases payable	\$ 258,657	\$ -	\$ (95,206)	\$ 163,451	\$ 91,785	\$ 71,666
<b>Total</b>	<b>\$ 258,657</b>	<b>\$ -</b>	<b>\$ (95,206)</b>	<b>\$ 163,451</b>	<b>\$ 91,785</b>	<b>\$ 71,666</b>

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 5 – Long-Term Debt (Continued)**

**Lease Payable**

SMC Fire has entered into leases for machinery and equipment use. The terms of the agreements range from 2 to 3 years. The calculated interest rates used was 3.00%.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 91,785	\$ 3,592	\$ 95,377
2024	71,666	996	72,662
<b>Total</b>	<b>\$ 163,451</b>	<b>\$ 4,588</b>	<b>\$ 168,039</b>

**Note 6 – Compensated Absences**

Summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

	Balance	Additions	Deletions	Balance	Classification	
	July 1, 2021			June 30, 2022	Due within One Year	Due in More Than One Year
Compensated absences	\$ 3,053,064	\$ 1,547,456	\$ (1,940,774)	\$ 2,659,746	\$ 851,119	\$ 1,808,627
<b>Total</b>	<b>\$ 3,053,064</b>	<b>\$ 1,547,456</b>	<b>\$ (1,940,774)</b>	<b>\$ 2,659,746</b>	<b>\$ 851,119</b>	<b>\$ 1,808,627</b>

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 \$2,659,746 at June 30, 2022. The amount due within one year of \$851,119 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 7 – 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 Comprehensive Liability Internal Service Fund. 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 20, 2022 were covered by the insurance policies.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 8 – 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, 2020, measurement date, the following members were covered by the benefit terms for each Plan:

	Miscellaneous Plans	Safety Plans
Active	10	135
Transferred or separated	5	7
Retired	1	9
Total	16	151

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.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 8 – Pension Plans (Continued)**

**A. General Information about the Pension Plans (Continued)**

Benefits Provided (Continued)

The rate plan provisions and benefits in effect at June 30, 2022, 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	10.880%	10.340%	20.640%	18.190%
Final Average Compensation Period	1 year	3 years	1 year	3 years
	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	22.480%	23.710%	20.640%	
Final Average Compensation Period	3 years	1 year	3 years	

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%	13.000%	13.000%
Required employer contribution rates	7.590%	7.590%	13.130%	13.130%
Final Average Compensation Period	3 years	3 years	3 years	3 years

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.

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 8 – Pension Plans (Continued)**

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 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 <sup>1</sup>	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

<sup>1</sup>The 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](http://www.calpers.ca.gov) under Forms and Publications.

Change of Assumption

There were no changes of assumptions at the June 30, 2020 valuation date.

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, 2022**

**Note 8 – Pension Plans (Continued)**

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

*Long-Term Expected Rate of Return (Continued)*

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 <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1-10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Public 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%

<sup>1</sup>In the CalPERS' ACFR, 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.

<sup>2</sup>An expected inflation of 2.00% used for this period

<sup>3</sup>An 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:

	<b>Plan's Aggregate Net Pension Liability/(Asset)</b>		
	<b>Discount Rate</b>	<b>Current Discount</b>	<b>Discount Rate</b>
	<b>- 1% (6.15%)</b>	<b>Rate (7.15%)</b>	<b>+ 1% (8.15%)</b>
Miscellaneous Plans	\$ (4,695)	\$ (43,971)	\$ (76,440)
Safety Plans	\$ (178,678)	\$ (1,752,934)	\$ (3,045,990)

*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, 2022**

**Note 8 – 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)
<b>Miscellaneous Plan:</b>			
Balance at: 6/30/20 (Valuation date)	\$ 88,926	\$ 89,684	\$ (758)
Balance at: 6/30/21 (Measurement date)	297,472	341,443	(43,971)
Net Changes during 2020-2021	208,546	251,759	(43,213)
<b>Safety Plan:</b>			
Balance at: 6/30/20 (Valuation date)	\$ 3,283,680	\$ 3,272,497	\$ 11,183
Balance at: 6/30/21 (Measurement date)	11,695,057	13,447,991	(1,752,934)
Net Changes during 2020-2021	8,411,377	10,175,494	(1,764,117)

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, 2020). 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, 2021). 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, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-21).
- (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, 2022**

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**Note 8 – 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 the measurement dates of June 30, 2020 and 2021, were as follows:

	Miscellaneous Plan	Safety Plan
Proportion June 30, 2020 (Measurement date)	-0.000018%	0.000168%
Proportion June 30, 2021 (Measurement date)	-0.002316%	-0.049948%
Change - Increase (Decrease)	-0.002298%	-0.050116%

For the year ended June 30, 2022, SMC Fire recognized pension expense in the amounts of \$34,736 and \$226,512, 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 2020-21 measurement period is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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, 2022**

**Note 8 – 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, 2022, 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	\$ 66,317	\$ -	\$ 4,278,297	\$ -
Difference between actual and expected experience	-	(4,931)	-	(299,487)
Difference between projected and actual earning on pension plan investments	38,384	-	1,043,332	-
Adjustment due to differences in proportions	8,414	-	461,242	-
Difference between Employer's actual contributions and proportionate share of contributions	83,555	-	4,539,524	-
<b>Total</b>	<b>\$ 196,670</b>	<b>\$ (4,931)</b>	<b>\$ 10,322,395</b>	<b>\$ (299,487)</b>
	<b>Total</b>			
	Deferred outflows of Resources	Deferred inflows of Resources		
Contributions made after measurement date	\$ 4,344,614	\$ -		
Difference between actual and expected experience	-	(304,418)		
Difference between projected and actual earning on pension plan investments	1,081,716	-		
Adjustment due to differences in proportions	469,656	-		
Difference between Employer's actual contributions and proportionate share of contributions	4,623,079	-		
<b>Total</b>	<b>\$ 10,519,065</b>	<b>\$ (304,418)</b>		

For the Miscellaneous plans and Safety plans, \$66,317 and \$4,278,297, 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous Plan	Safety Plan
2022	\$ 47,456	\$ 2,300,057
2023	44,105	2,131,841
2024	23,253	1,025,603
2025	10,608	287,110
2026	-	-
Thereafter	-	-
<b>Total</b>	<b>\$ 125,422</b>	<b>\$ 5,744,611</b>

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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**Note 9 – 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, 2021, the date of the latest actuarial valuation:

Active employees	145
Transferred and terminated employees	5
Retired employees and beneficiaries	6
Total	156

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, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability at June 30, 2022 was \$2,835,505.

Actuarial Assumptions

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

Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.50%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 2000-2019 Experience Study
Mortality Improvement Scale	Modified projected fully generational with Scale MP-2021
Healthcare Trend Rate - Non-Medicare	6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Healthcare Trend Rate - Medicare	5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum Increase	4.00% annually

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 9 – 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 2.16% percent. This discount rate is rate is based on the municipal Bond Buyer 20-Bond Index.

Change in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance at June 30, 2020 (Valuation Date)	\$ 3,323,257
Changes Recognized for the Measurement Period:	
Service Cost	2,256,923
Interest on the total OPEB liability	122,865
Changes of benefit terms	-
Difference between expected and actual experience	(1,603,432)
Changes of assumptions	(1,222,789)
Contributions from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(41,319)
Net Changes during July 1, 2020 to June 30, 2021	(487,752)
Balance at June 30, 2021 (Measurement Date)	\$ 2,835,505

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

<b>Plan's Total OPEB Liability</b>		
Discount Rate - 1% (1.16%)	Current Discount Rate (2.16%)	Discount Rate + 1% (3.16%)
\$ 3,448,311	\$ 2,835,505	\$ 2,367,580

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:

<b>Plan's Total OPEB Liability</b>		
Healthcare Cost		
-1%	Trend Rates	1%
\$ 2,255,947	\$ 2,835,505	\$ 3,625,501

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 9 – 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, 2022, SMC Fire recognized OPEB expense of \$2,193,891. At June 30, 2022, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Employer contributions made subsequent to the measurement date	\$ 18,950	\$ -
Difference between expected and actual experience	-	(1,464,003)
Changes of assumptions	584,635	(1,116,460)
Total	\$ 603,585	\$ (2,580,463)

The gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 11.2 years, which was determined as of June 30, 2021, 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:

Measurement Period Ended June 30	<b>Deferred Outflows/ (Inflows) of Resources</b>
2022	\$ (186,147)
2023	(186,147)
2024	(186,147)
2025	(186,147)
2026	(186,147)
Thereafter	(1,065,093)
	\$ (1,995,828)

**Note 10 – Other Required Disclosures**

**Expenditures Exceeding Appropriations**

For the year ended June 30, 2022, expenditures exceeded appropriations in the following funds:

<b>Fund</b>	<b>Excess Expenditures over Appropriations</b>
General Fund	\$ 302,822

**San Mateo Consolidated Fire Department**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 11 – Classification of Fund Balances**

SMC Fire classifies fund balances, as shown on the *Balance Sheet – Governmental Funds*, as follows as of June 30, 2022:

	General Fund	Fire Prevention Special Revenue Fund	Total
<b>Nonspendable</b>			
Prepaid items	\$ 30,607	\$ 9,667	\$ 40,274
<b>Total nonspendable</b>	30,607	9,667	40,274
<b>Committed</b>			
Fire prevention inspection and other	-	295,462	295,462
<b>Total committed</b>	-	295,462	295,462
<b>Unassigned</b>	519,615	-	519,615
<b>Total fund balances</b>	\$ 550,222	\$ 305,129	\$ 855,351

**Note 12 – Prior Period Adjustment**

The beginning net position at July 1, 2021 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities
Net position, as previously reported, at July 1, 2021	\$ 18,091,343
To implement GASB 87 Leases	55,827
Net position at July 1, 2021, as restated	\$ 18,147,170

**Note 13 – Commitments and Contingencies**

**A. Commitments**

SMC Fire had several outstanding or planned construction and other projects as of June 30, 2022.

**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**San Mateo Consolidated Fire Department  
Required Supplementary Information (Unaudited)  
Budgetary Information  
For the Year Ended June 30, 2022**

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**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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Contributions from City of Belmont	\$ 8,405,749	\$ 8,405,749	\$ 8,405,749	\$ -
Contributions from City of Foster City	8,405,749	8,405,749	8,405,749	-
Contributions from City of San Mateo	25,217,246	25,217,246	25,217,246	-
Grants and other intergovernmental	933,051	3,033,051	3,268,180	235,129
Charges for services	11,000	11,000	391	(10,609)
Other revenue	50,000	50,000	76,415	26,415
<b>Total revenues</b>	<u>43,022,795</u>	<u>45,122,795</u>	<u>45,373,730</u>	<u>250,935</u>
<b>EXPENDITURES:</b>				
Current:				
Personnel costs	37,983,300	40,783,300	40,790,326	(7,026)
Materials and services	5,061,165	5,081,165	5,275,297	(194,132)
Debt service:				
Principal	-	-	95,206	(95,206)
Interest and fiscal charges	-	-	6,458	(6,458)
<b>Total expenditures</b>	<u>43,044,465</u>	<u>45,864,465</u>	<u>46,167,287</u>	<u>(302,822)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(21,670)</u>	<u>(741,670)</u>	<u>(793,557)</u>	<u>(51,887)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(117,957)	(117,957)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(117,957)</u>	<u>(117,957)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (21,670)</u>	<u>\$ (859,627)</u>	<u>(911,514)</u>	<u>\$ (51,887)</u>
<b>FUND BALANCE:</b>				
Beginning of year			1,461,736	
End of year			<u>\$ 550,222</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Grants and other intergovernmental	\$ 78,952	\$ 78,952	\$ 7,072	\$ (71,880)
Charges for services	2,525,323	2,525,323	2,711,808	186,485
Other revenue	-	-	14,111	14,111
<b>Total revenues</b>	<u>2,604,275</u>	<u>2,604,275</u>	<u>2,732,991</u>	<u>128,716</u>
<b>EXPENDITURES:</b>				
Current:				
Personnel costs	1,580,788	1,790,788	1,449,074	341,714
Materials and services	389,672	389,672	350,596	39,076
Payments to other agencies	642,983	642,983	642,983	-
Miscellaneous	-	-	211,387	(211,387)
<b>Total expenditures</b>	<u>2,613,443</u>	<u>2,823,443</u>	<u>2,654,040</u>	<u>169,403</u>
<b>Net change in fund balance</b>	<u>\$ (9,168)</u>	<u>\$ (219,168)</u>	78,951	<u>\$ 298,119</u>
<b>FUND BALANCE:</b>				
Beginning of year			226,178	
End of year			<u>\$ 305,129</u>	

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**San Mateo Consolidated Fire Department**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedules of SMC Fire's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios**  
**For the Year Ended June 30, 2022**

**Miscellaneous Plans**

Measurement period, year ended	<u>6/30/2021</u>	<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> <sup>1</sup>
Plan's proportion of the net pension liability	-0.002316%	-0.000018%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset)	\$ (43,971)	\$ (758)	n/a	n/a	n/a	n/a	n/a
Plan's covered payroll	\$ 918,326	\$ 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 payroll	-4.79%	-0.09%	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position	\$ 341,443	\$ 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)	-12.88%	-0.85%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of aggregate employer contributions	\$ 79,561	\$ 78,522	\$ 29,267	n/a	n/a	n/a	n/a

<sup>1</sup> 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>6/30/2021</u>	<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> <sup>1</sup>
Plan's proportion of the net pension liability	-0.049948%	0.000168%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability (asset)	\$ (1,752,934)	\$ 11,183	n/a	n/a	n/a	n/a	n/a
Plan's covered payroll	\$ 20,440,407	\$ 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 payroll	-8.58%	0.06%	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net position	\$ 13,447,991	\$ 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)	-13.03%	0.34%	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of aggregate employer contributions	\$ 4,403,851	\$ 4,075,340	\$ 1,695,816	n/a	n/a	n/a	n/a

<sup>1</sup> 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, 2022**

<b>Miscellaneous Plans</b>								
Fiscal Year:	<u>2021-22</u>	<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>2014-15<sup>1</sup></u>
Contractually determined contribution (actuarially determined)	\$ 66,317	\$ 79,561	\$ 78,522	\$ 29,267	n/a	n/a	n/a	n/a
Contributions in relation to the actuarially determined contributions	(66,317)	(79,561)	(78,522)	(29,267)	n/a	n/a	n/a	n/a
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>							
Covered payroll	\$ 870,003	\$ 918,326	\$ 891,579	\$ 340,208	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	7.62%	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 2022 were derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2020 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.750%
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.

<sup>1</sup> 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, 2022**

		<b>Safety Plans</b>							
Fiscal Year:		<u>2021-22</u>	<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>2014-15<sup>1</sup></u>
Contractually determined									
contribution (actuarially determined)	\$	4,278,297	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		(4,278,297)	(4,403,851)	(4,075,340)	(1,695,816)	n/a	n/a	n/a	n/a
<b>Contribution deficiency (excess)</b>	<b>\$</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$	22,736,992	20,440,407	19,845,055	18,507,379	n/a	n/a	n/a	n/a
Contributions as a percentage of									
covered payroll		18.82%	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 2022 were derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2020 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.750%
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.

<sup>1</sup> 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, 2022**

Measurement period, year ending:	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>1/13/2019<sup>1</sup></u>
<b>Total OPEB liability</b>				
Service cost	\$ 2,256,923	\$ 1,970,092	\$ 542,698	\$ -
Interest	122,865	90,609	10,492	-
Changes of benefit terms			-	
Differences between expected and actual experience	(1,603,432)	-	-	-
Changes of assumptions	(1,222,789)	643,809	65,557	-
Benefit payments, including refunds of member contributions	(41,319)	-	-	-
<b>Net change in total OPEB liability</b>	<u>(487,752)</u>	<u>2,704,510</u>	<u>618,747</u>	<u>-</u>
<b>Total OPEB liability - beginning</b>	<u>3,323,257</u>	<u>618,747</u>	<u>-</u>	<u>-</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 2,835,505</u>	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>	<u>\$ -</u>
<b>OPEB fiduciary net position</b>				
Contributions - employer	\$ 41,319	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(41,319)	-	-	-
Administrative expense	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Plan net OPEB liability - ending (a) - (b)</b>	<u>\$ 2,835,505</u>	<u>\$ 3,323,257</u>	<u>\$ 618,747</u>	<u>\$ -</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%	n/a
<b>Covered-employee payroll</b>	\$ 29,447,000	\$ 29,452,031	\$ 26,552,435	n/a
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	9.63%	11.28%	2.33%	n/a

<sup>1</sup> Information only presented from the implementation year

**SUPPLEMENTARY INFORMATION**

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## **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, 2022**

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,086,691	\$ 2,799,666	\$ 2,111,647	\$ 6,998,004
Total current assets	<u>2,086,691</u>	<u>2,799,666</u>	<u>2,111,647</u>	<u>6,998,004</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	2,704,793	-	-	2,704,793
Depreciable, net	<u>2,747,070</u>	<u>-</u>	<u>-</u>	<u>2,747,070</u>
Total capital assets	<u>5,451,863</u>	<u>-</u>	<u>-</u>	<u>5,451,863</u>
Total noncurrent assets	<u>5,451,863</u>	<u>-</u>	<u>-</u>	<u>5,451,863</u>
<b>Total assets</b>	<u><u>7,538,554</u></u>	<u><u>2,799,666</u></u>	<u><u>2,111,647</u></u>	<u><u>12,449,867</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	<u>36,021</u>	<u>15,379</u>	<u>524</u>	<u>51,924</u>
Total current liabilities	<u>36,021</u>	<u>15,379</u>	<u>524</u>	<u>51,924</u>
<b>Total liabilities</b>	<u>36,021</u>	<u>15,379</u>	<u>524</u>	<u>51,924</u>
<b>NET POSITION</b>				
Investment in capital assets	5,451,863	-	-	5,451,863
Unrestricted	<u>2,050,670</u>	<u>2,784,287</u>	<u>2,111,123</u>	<u>6,946,080</u>
<b>Total net position</b>	<u><u>\$ 7,502,533</u></u>	<u><u>\$ 2,784,287</u></u>	<u><u>\$ 2,111,123</u></u>	<u><u>\$ 12,397,943</u></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, 2022**

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,110,000	\$ 8,771,031	\$ 2,614,327	\$ 12,495,358
Insurance reimbursement	-	-	548,293	548,293
<b>Total operating revenues</b>	<b>1,110,000</b>	<b>8,771,031</b>	<b>3,162,620</b>	<b>13,043,651</b>
<b>OPERATING EXPENSES:</b>				
Personnel costs	-	4,668,732	2,364,075	7,032,807
Materials and services	197,144	3,356,949	141,721	3,695,814
Depreciation	74,501	-	-	74,501
<b>Total operating expenses</b>	<b>271,645</b>	<b>8,025,681</b>	<b>2,505,796</b>	<b>10,803,122</b>
<b>OPERATING INCOME (LOSS)</b>	<b>838,355</b>	<b>745,350</b>	<b>656,824</b>	<b>2,240,529</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	(18,610)	-	(5,675)	(24,285)
<b>Total nonoperating revenues (expenses)</b>	<b>(18,610)</b>	<b>-</b>	<b>(5,675)</b>	<b>(24,285)</b>
<b>INCOME (LOSS)</b>	<b>819,745</b>	<b>745,350</b>	<b>651,149</b>	<b>2,216,244</b>
<b>TRANSFERS:</b>				
Transfers in	117,957	-	-	117,957
<b>Total transfers</b>	<b>117,957</b>	<b>-</b>	<b>-</b>	<b>117,957</b>
<b>Changes in net position</b>	<b>937,702</b>	<b>745,350</b>	<b>651,149</b>	<b>2,334,201</b>
<b>NET POSITION:</b>				
Beginning of year	6,564,831	2,038,937	1,459,974	10,063,742
End of year	<u>\$ 7,502,533</u>	<u>\$ 2,784,287</u>	<u>\$ 2,111,123</u>	<u>\$ 12,397,943</u>

**San Mateo Consolidated Fire Department**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2022**

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from interfund services provided	\$ 1,110,000	\$ 8,771,031	\$ 2,614,327	\$ 12,495,358
Cash received from insurance reimbursements	-	-	548,293	548,293
Cash payments to employees for services	-	(4,668,732)	(2,364,075)	(7,032,807)
Cash payments to suppliers for goods and services	(218,441)	(3,351,724)	(141,383)	(3,711,548)
<b>Net cash provided by operating activities</b>	<u>891,559</u>	<u>750,575</u>	<u>657,162</u>	<u>2,299,296</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	117,957	-	-	117,957
<b>Net cash provided by noncapital financing activities</b>	<u>117,957</u>	<u>-</u>	<u>-</u>	<u>117,957</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets, net	(2,704,793)	-	-	(2,704,793)
<b>Net cash (used in) capital and related financing activities</b>	<u>(2,704,793)</u>	<u>-</u>	<u>-</u>	<u>(2,704,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	(18,610)	-	(5,675)	(24,285)
<b>Net cash (used in) investing activities</b>	<u>(18,610)</u>	<u>-</u>	<u>(5,675)</u>	<u>(24,285)</u>
<b>Net change in cash and cash equivalents</b>	(1,713,887)	750,575	651,487	(311,825)
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	3,800,578	2,049,091	1,460,160	7,309,829
End of year	<u>\$ 2,086,691</u>	<u>\$ 2,799,666</u>	<u>\$ 2,111,647</u>	<u>\$ 6,998,004</u>

(Continued)

**San Mateo Consolidated Fire Department**  
**Combining Statement of Cash Flows (Continued)**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2022**

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 838,355	\$ 745,350	\$ 656,824	\$ 2,240,529
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	74,501	-	-	74,501
Changes in operating assets and liabilities:				
Accounts payable	(21,297)	5,225	338	(15,734)
Total adjustments	53,204	5,225	338	58,767
<b>Net cash provided by operating activities</b>	<b>\$ 891,559</b>	<b>\$ 750,575</b>	<b>\$ 657,162</b>	<b>\$ 2,299,296</b>

(Concluded)

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**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, 2022, 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 3, 2022.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

### **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*.

### **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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California  
October 3, 2022