

**SAN MATEO-FOSTER CITY  
SCHOOL DISTRICT**

COUNTY OF SAN MATEO  
FOSTER CITY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2021



**Chavan & Associates, LLP**

Certified Public Accountants  
15105 Concord Circle, Ste. 130  
Morgan Hill, CA 95037

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SAN MATEO COUNTY  
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SAN MATEO COUNTY  
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**FINANCIAL  
SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
San Mateo-Foster City School District  
Foster City, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of San Mateo-Foster City School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the San Mateo-Foster City School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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 San Mateo-Foster City School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### **Emphasis of a Matter**

#### *Deficit Net Position*

As of June 30, 2021, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension, OPEB liabilities and deferrals as reported in Note 8. Our opinion is not modified with respect to this matter.\

#### *New Accounting Standards*

During the year, the District implemented Governmental Accounting Standards Board Statement No. 84, *GASB Statement No. 84, "Fiduciary Activities."* This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. As a result, the District restated its General Fund beginning fund balance by \$166,776 to account for student body and scholarship activities previously reported as agency funds that do not meet the fiduciary activity definition per GASB 84. Our opinion has not been modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability and schedule of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board, organization schedule, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools, and schedule of financial trends and analysis included have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2022 on our consideration of San Mateo-Foster City School District'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 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 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 San Mateo-Foster City School District's internal control over financial reporting and compliance.

C & A LLP

January 30, 2022  
Morgan Hill, California

*Management's Discussion and Analysis*

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

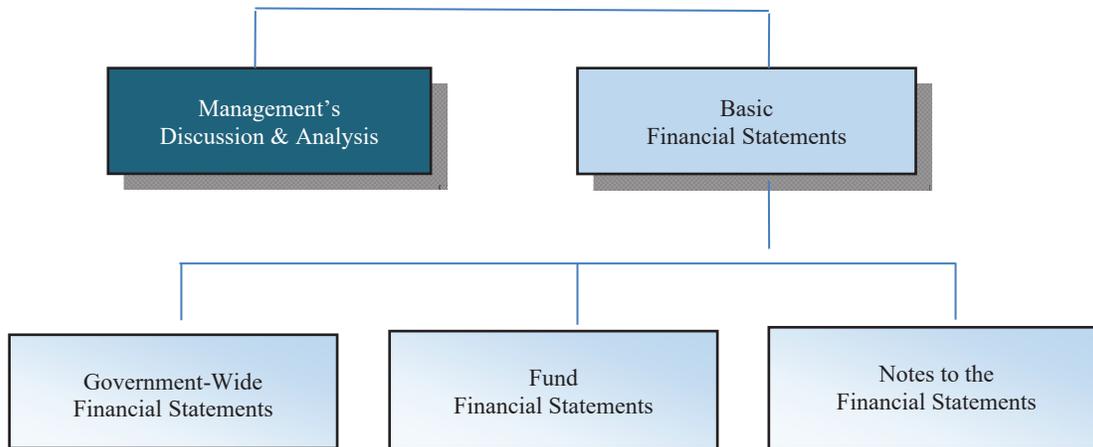
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## INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

### Required Components of the Annual Financial Report



## FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2021 were as follows:

- Total net position increased by \$5,940,836 (12%), which included a decrease in unrestricted net position of \$12,563,481, from June 30, 2020 to June 30, 2021. The decrease is mainly due to changes in benefit plan liabilities and accreted interest on capital appreciation bonds.
- The District recorded deferred outflows of resources of \$69,231,143 and deferred inflows of resources of \$36,475,901 as required by GASB 68 and GASB 75 for pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$201,607,919 in government-wide expenses which is 99% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$38,985,014, or 19%, of the total revenues of \$203,459,911.
- General revenue of \$164,474,897 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 81% of total revenues in 2021 versus 82% in 2020.

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

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- The fund balances of all governmental funds increased by \$135,039,372 which was a 88% increase from 2020.
- Total governmental fund revenues and expenditures totaled \$200,263,647 and \$219,493,632, respectively.

### USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2020 - 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the District's major funds begins on with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, Capital Facilities Fund, and the Bond Interest and Redemption Fund.

### **Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

### **Proprietary funds**

When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's enterprise funds are included within the business-type activities and reported in the district-wide statements but provide more detail and additional

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

information, such as cash flows. The District charges fees to help it cover the costs of certain services it provides. The District's Children's Annex, Bayside Theatre program, fee based preschool and food services co-op are included in the proprietary funds.

## THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2021 as compared to June 30, 2020:

<b>Table 1 - Summary of Statement of Net Position</b>						
<b>Description</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2021</b>	<b>2020</b>	<b>% Change</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
<b>Assets</b>						
Current and Other Assets	\$ 297,486,304	\$ 165,870,198	79.3%	\$ 4,590,801	\$ 7,738,579	-40.7%
Capital Assets	342,901,409	312,948,709	9.6%	-	-	0.0%
<b>Total Assets</b>	<b>\$ 640,387,713</b>	<b>\$ 478,818,907</b>	<b>33.7%</b>	<b>\$ 4,590,801</b>	<b>\$ 7,738,579</b>	<b>-40.7%</b>
<b>Total Deferred Outflows of Resources</b>	<b>\$ 67,061,296</b>	<b>\$ 59,551,481</b>	<b>12.6%</b>	<b>\$ 2,169,847</b>	<b>\$ 2,158,166</b>	<b>0.5%</b>
<b>Liabilities</b>						
Current Liabilities	\$ 13,929,520	\$ 15,410,709	-9.6%	\$ 1,049,176	\$ 470,007	123.2%
Long-term Liabilities	691,801,527	549,383,351	25.9%	12,872,845	12,949,852	-0.6%
<b>Total Liabilities</b>	<b>\$ 705,731,047</b>	<b>\$ 564,794,060</b>	<b>25.0%</b>	<b>\$ 13,922,021</b>	<b>\$ 13,419,859</b>	<b>3.7%</b>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 35,308,627</b>	<b>\$ 17,515,928</b>	<b>101.6%</b>	<b>\$ 1,167,274</b>	<b>\$ 397,434</b>	<b>193.7%</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 84,383,859	\$ 76,502,553	10.3%	\$ -	\$ -	0.0%
Restricted	64,994,423	54,371,412	19.5%	-	-	0.0%
Unrestricted	(182,968,947)	(174,813,565)	-4.7%	(8,328,647)	(3,920,548)	-112.4%
<b>Total Net Position</b>	<b>\$ (33,590,665)</b>	<b>\$ (43,939,600)</b>	<b>23.6%</b>	<b>\$ (8,328,647)</b>	<b>\$ (3,920,548)</b>	<b>-112.4%</b>

During the year, deferred outflows of resources increased by 12%, deferred inflows of resources increased by 104%, and long-term liabilities increased by 25% mostly due to the issuance of new bonds and changes in pension and OPEB actuarial assumptions related to GASB 68 and GASB 75, respectively. GASB 68 requires all local governments that participate in cost sharing pension plans to record its proportionate share of net pension liabilities from pension plans in the government-wide financial statements.

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

Table 2 shows the changes in net position for fiscal year 2021 as compared to 2020:

Table 2 - Summary of Changes in Statement of Activities						
Description	Governmental Activities			Business-type Activities		
	2021	2020	%	2021	2020	%
<b>Revenues</b>						
Program revenues	\$ 35,862,531	\$ 26,110,467	37.3%	\$ 3,122,483	\$ 7,704,893	-59.5%
General revenues:						
Property taxes	149,728,231	141,238,158	6.0%	-	-	0.0%
Grants and entitlements, unrestricted	12,595,435	13,570,182	-7.2%	-	-	0.0%
Other	2,838,279	3,447,380	-17.7%	(687,048)	(601,062)	-14.3%
<b>Total Revenues</b>	<b>201,024,476</b>	<b>184,366,187</b>	<b>9.0%</b>	<b>2,435,435</b>	<b>7,103,831</b>	<b>-65.7%</b>
<b>Program Expenses</b>						
Instruction	122,757,709	113,715,674	8.0%	-	-	0.0%
Instruction-related services	18,913,063	17,733,405	6.7%	-	-	0.0%
Pupil services	16,922,830	16,502,083	2.5%	-	-	0.0%
General administration	10,580,878	10,768,166	-1.7%	-	-	0.0%
Plant services	8,548,955	16,968,763	-49.6%	-	-	0.0%
Ancillary services	43,292	190,466	-77.3%	-	-	0.0%
Other program expenses	662,318	1,355,251	-51.1%	-	-	0.0%
Enterprise	1,466,807	4,833	0.0%	6,843,534	9,570,710	-28.5%
Interest on long-term debt	14,868,533	14,964,296	-0.6%	-	-	0.0%
<b>Total Expenses</b>	<b>194,764,385</b>	<b>192,202,937</b>	<b>1.3%</b>	<b>6,843,534</b>	<b>9,570,710</b>	<b>-28.5%</b>
<b>Change in Net Position</b>	<b>6,260,091</b>	<b>(7,836,750)</b>	<b>179.9%</b>	<b>(4,408,099)</b>	<b>(2,466,879)</b>	<b>-78.7%</b>
<b>Beginning Net Position</b>	<b>(43,939,600)</b>	<b>(36,102,850)</b>	<b>-21.7%</b>	<b>(3,920,548)</b>	<b>(1,453,669)</b>	<b>-169.7%</b>
<b>Prior Period Adjustments</b>	<b>4,088,844</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Ending Net Position</b>	<b>\$ (33,590,665)</b>	<b>\$ (43,939,600)</b>	<b>23.6%</b>	<b>\$ (8,328,647)</b>	<b>\$ (3,920,548)</b>	<b>-112.4%</b>

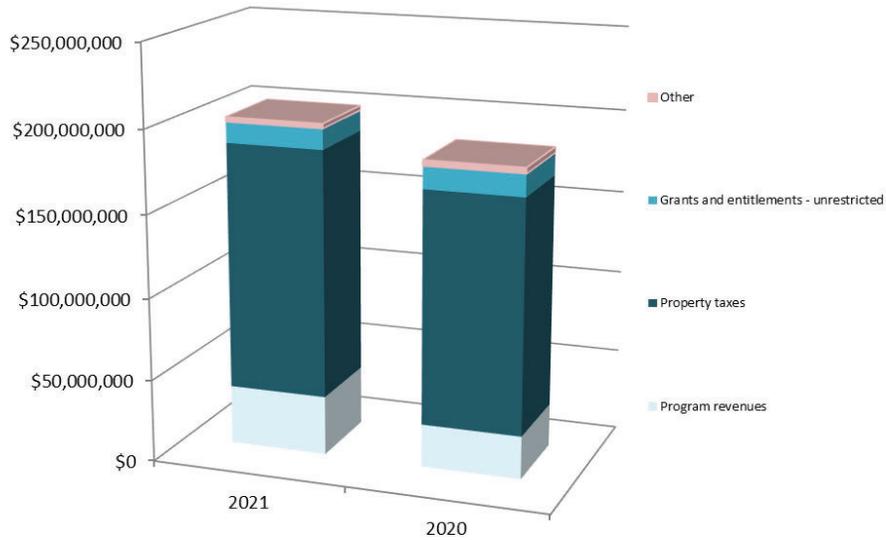
The District's expenses for instructional services were 70% of total expenses in 2020-21 as compared to 65% in 2019-20. The purely administrative activities of the District accounted for 5% of total costs in both the 2020-21 and 2019-20 periods. Interest on long-term debt represented 8% of total expenses in 2020-21 as compared to 7% in 2019-20. Total expenses were 99% of revenue in 2020-21 versus 105% in 2019-20. Program revenues were 19% of total revenues in 2020-21 and 18% of total revenues in 2019-20.

# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

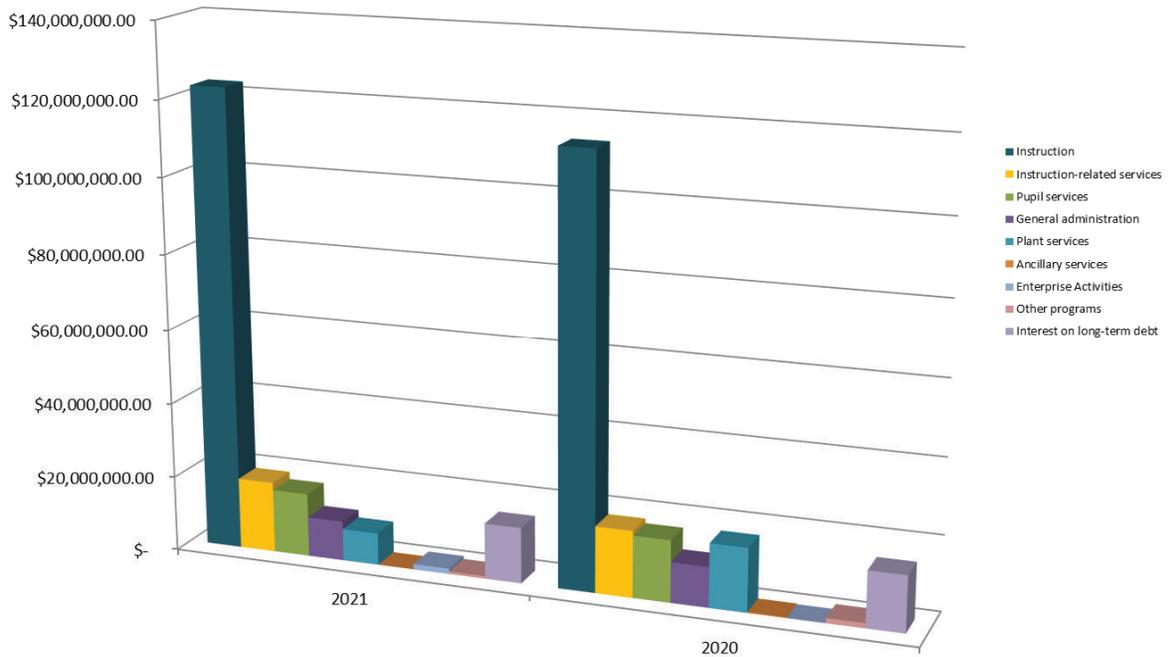
The following is a summary of government wide revenues for the fiscal year ended June 30, 2021:

## Gov't Wide Revenues



The following is a summary of expenses by function for the fiscal year ended June 30, 2021:

## Gov't Wide Program Expenses



# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

## GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

<b>Table 3 - Net Cost of Services Governmental Activities</b>				
<b>Description</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Instruction	\$ 101,654,209	\$ 100,670,503	\$ 983,706	1.0%
Instruction-related services	16,715,462	16,149,738	565,724	3.5%
Pupil services	11,878,686	12,971,874	(1,093,188)	-8.4%
General administration	9,827,053	10,342,956	(515,903)	-5.0%
Plant services	7,056,539	16,626,254	(9,569,715)	-57.6%
Ancillary services	38,725	167,859	(129,134)	-76.9%
Enterprise Activities	(27,449)	4,833	(32,282)	0.0%
Other programs	(3,109,904)	(5,805,843)	2,695,939	86.7%
Interest on long-term debt	14,868,533	14,964,296	(95,763)	-0.6%
<b>Total Net Cost of Services</b>	<b>\$ 158,901,854</b>	<b>\$ 166,092,470</b>	<b>\$ (7,190,616)</b>	<b>-4.3%</b>

The following summarizes the District's functions:

- *Instruction* expenditures include activities directly dealing with the teaching of pupils.
- *Instruction-related Services* include the activities involved with assisting staff with the content and process of educating students.
- *Pupil Services* include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.
- *General Administration* reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.
- *Plant Services* involve keeping the school grounds and equipment in effective working condition.
- *Ancillary Services* represent the expenditures associated with co-curricular and athletic programs.
- *Community Services* are expenses related to direct support around the community.
- *Other Outgo* includes tuitions and transfers of resources between the District and other educational agencies for services provided to District students.

## THE DISTRICT'S FUNDS

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

<b>Table 4 - Summary of Fund Balances</b>				
<b>Description</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
General Fund	\$ 92,647,545	\$ 82,112,630	\$ 10,534,915	12.8%
Building Fund	139,903,133	28,718,655	111,184,478	387.2%
Capital Facilities Fund	4,875,791	3,453,237	1,422,554	41.2%
Bond Interest and Redemption Fund	30,690,228	19,181,372	11,508,856	60.0%
Nonmajor Funds	19,763,087	19,374,518	388,569	2.0%
<b>Total Fund Balances</b>	<b>\$287,879,784</b>	<b>\$152,840,412</b>	<b>\$ 135,039,372</b>	<b>88.4%</b>

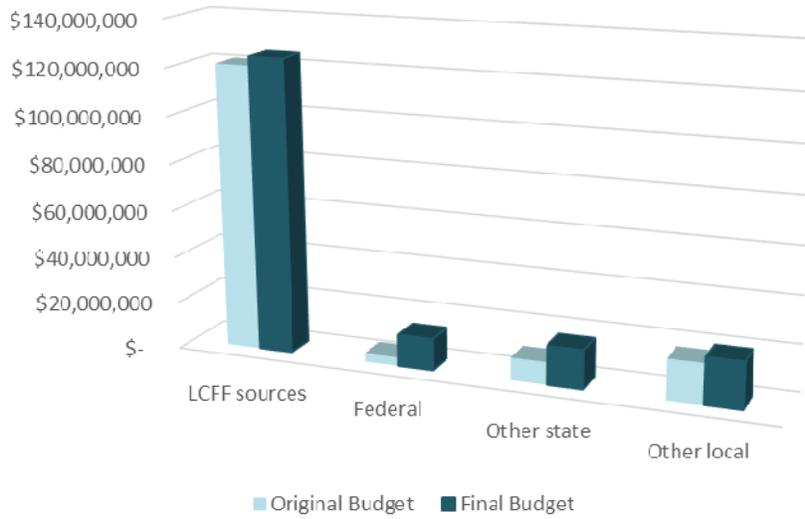
# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

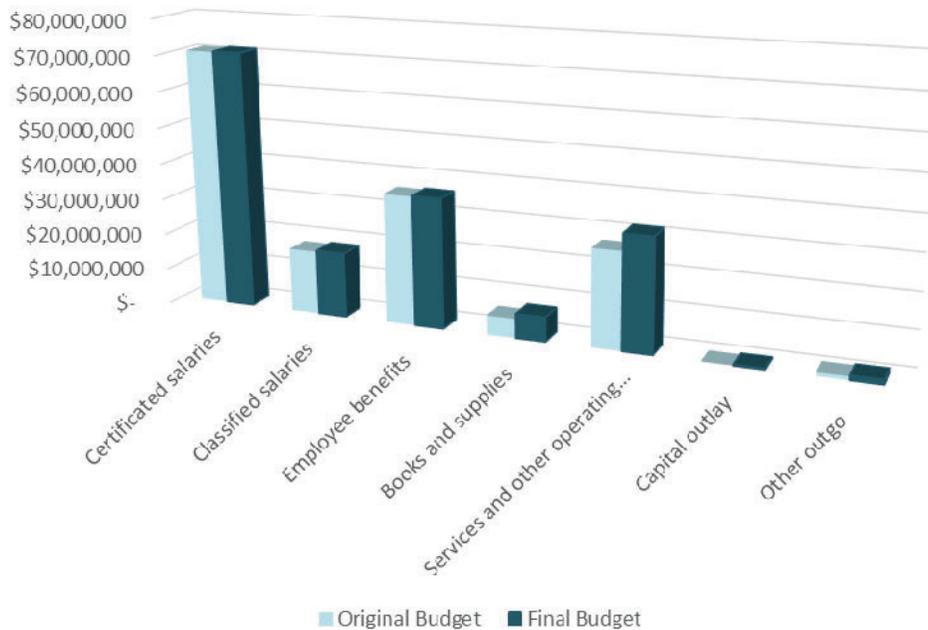
## FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2020-21 fiscal year, the District revised its General Fund budget twice, at 1<sup>st</sup> Interim and 2<sup>nd</sup> interim. The following charts summarize the changes from the District's original and final budgets.

**General Fund Budgeted Revenues**



**General Fund Budgeted Expenditures**



# SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

## CAPITAL ASSETS

Table 5 shows June 30, 2021 balances as compared to June 30, 2020.

<b>Table 5 - Summary of Capital Assets Net of Depreciation</b>				
<b>Description</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Land	\$ 10,269,460	\$ 10,269,460	\$ -	0.00%
Work-in-Progress	118,593,096	90,449,428	28,143,668	31.12%
Site Improvements	18,746,495	20,719,422	(1,972,927)	-9.52%
Buildings	189,503,354	184,296,830	5,206,524	2.83%
Furniture and Equipment	5,789,004	7,213,569	(1,424,565)	-19.75%
<b>Total Capital Assets - Net</b>	<b>\$342,901,409</b>	<b>\$312,948,709</b>	<b>\$ 29,952,700</b>	<b>9.57%</b>

## LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

<b>Table 6 - Summary of Long-term Liabilities</b>				
<b>Description</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Bonds	\$479,770,740	\$337,427,970	\$ 142,342,770	42.18%
Total OPEB Liability	63,170,039	82,430,103	(19,260,064)	-23.37%
Compensated Absences	428,739	488,846	(60,107)	-12.30%
Net Pension Liabilities	161,304,853	141,986,284	19,318,569	13.61%
<b>Total Long-term Liabilities</b>	<b>\$704,674,371</b>	<b>\$562,333,203</b>	<b>\$ 142,341,168</b>	<b>25.31%</b>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

There are several factors that will affect the San Mateo-Foster City School District's future.

One significant issue the District will face over the next few years is higher costs arising from scheduled pension contribution rate increases.

The District is a community-funded district, deriving a majority of its revenue from local property taxes and very little funding from the State. As a community-funded district, student enrollment growth does not provide additional revenues as in State-funded districts and so presents a challenge, as does the general economy. Current projections predict flat enrollment for the next few years. However the impact of COVID-19 on enrollment is currently unknown. The District's 2021-22 Adopted Budget included an increase in secured property tax, that portion of property tax generated from assessed values of land and structures. It should be noted that property taxes are difficult to predict. The District relies on community support with generous contributions from its foundation and two parcel taxes. One of these parcel taxes is evergreen. In November of 2018, the community overwhelmingly approved a new nine-year parcel tax (Measure V) which will provide a consistent and reliable source of revenue generating approximately \$10 million annually. The District maintains healthy reserves for economic uncertainties to weather economic adversity and provides the fiscal flexibility to address such issues as they arise.

# **SAN MATEO-FOSTER CITY SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Director of Fiscal Services, Blanca Cervantes-Madrigo, San Mateo-Foster City School District, 1170 Chess Drive, Foster City, California, 94404, or e-mail to at [bcervantes@smfc.k12.ca.us](mailto:bcervantes@smfc.k12.ca.us).

*Basic Financial Statements*

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 285,612,888	\$ 4,824,224	\$ 290,437,112
Accounts receivable	9,877,551	456,309	10,333,860
Other assets	1,306,133	-	1,306,133
Internal balances	689,732	(689,732)	-
Total current assets	<u>297,486,304</u>	<u>4,590,801</u>	<u>302,077,105</u>
Noncurrent assets:			
Non-depreciable capital assets	128,862,556	-	128,862,556
Depreciable capital assets - net	214,038,853	-	214,038,853
Total noncurrent assets	<u>342,901,409</u>	<u>-</u>	<u>342,901,409</u>
Total Assets	<u>\$ 640,387,713</u>	<u>\$ 4,590,801</u>	<u>\$ 644,978,514</u>
<b>Deferred Outflows of Resources</b>			
OPEB adjustments	\$ 5,919,957	\$ 233,343	\$ 6,153,300
Pension adjustments	44,948,547	1,936,504	46,885,051
Deferred loss on early retirement of debt	16,192,792	-	16,192,792
Total Deferred Outflows of Resources	<u>\$ 67,061,296</u>	<u>\$ 2,169,847</u>	<u>\$ 69,231,143</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 9,071,437	\$ 401,779	\$ 9,473,216
Unearned revenue	535,083	647,397	1,182,480
Accrued interest	4,323,000	-	4,323,000
Total current liabilities	<u>13,929,520</u>	<u>1,049,176</u>	<u>14,978,696</u>
Long-term liabilities:			
Due within one year	16,692,185	-	16,692,185
Due after one year	675,109,342	12,872,845	687,982,187
Total long-term liabilities	<u>691,801,527</u>	<u>12,872,845</u>	<u>704,674,372</u>
Total Liabilities	<u>\$ 705,731,047</u>	<u>\$ 13,922,021</u>	<u>\$ 719,653,068</u>
<b>Deferred Inflows of Resources</b>			
OPEB adjustments	\$ 21,476,093	\$ 792,664	\$ 22,268,757
Pension adjustments	13,832,534	374,610	14,207,144
Total Deferred Inflows of Resources	<u>\$ 35,308,627</u>	<u>\$ 1,167,274</u>	<u>\$ 36,475,901</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 84,383,859	\$ -	\$ 84,383,859
Restricted for:			
Capital projects	20,407,360	-	20,407,360
Debt service	19,760,467	-	19,760,467
Parcel tax	-	-	-
Cafeteria programs	1,405,740	-	1,405,740
Educational programs	23,420,856	-	23,420,856
Total restricted net position	<u>64,994,423</u>	<u>-</u>	<u>64,994,423</u>
Unrestricted	(182,968,947)	(8,328,647)	(191,297,594)
Total Net Position	<u>\$ (33,590,665)</u>	<u>\$ (8,328,647)</u>	<u>\$ (41,919,312)</u>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
Instruction	\$ 122,757,709	\$ 985,953	\$ 20,117,547	\$ (101,654,209)	\$ -	\$ (101,654,209)
Instruction-related services:						
Supervision of instruction	5,531,834	1,082	547,276	(4,983,476)	-	(4,983,476)
Instruction library, media and technology	1,367,035	24,276	555,930	(786,829)	-	(786,829)
School site administration	12,014,194	7,580	1,061,457	(10,945,157)	-	(10,945,157)
Pupil services:						
Home-to-school transportation	3,390,459	-	147,099	(3,243,360)	-	(3,243,360)
Food services	2,935,667	5,279	2,983,801	53,413	-	53,413
All other pupil services	10,596,704	53,397	1,854,568	(8,688,739)	-	(8,688,739)
General administration:						
Data processing	1,994,064	-	15,927	(1,978,137)	-	(1,978,137)
All other general administration	8,586,814	3,142	734,756	(7,848,916)	-	(7,848,916)
Plant services	8,548,955	2,715	1,489,701	(7,056,539)	-	(7,056,539)
Ancillary services	43,292	458	4,109	(38,725)	-	(38,725)
Enterprise Activities	662,318	-	689,767	27,449	-	27,449
Other program expenses	1,466,807	525,844	4,050,867	3,109,904	-	3,109,904
Interest on long-term debt	14,868,533	-	-	(14,868,533)	-	(14,868,533)
<b>Total governmental activities</b>	<b>\$ 194,764,385</b>	<b>\$ 1,609,726</b>	<b>\$ 34,252,805</b>	<b>(158,901,854)</b>	<b>-</b>	<b>(158,901,854)</b>
<b>Business-type activities:</b>						
The Children's Annex	3,257,016	283,589	-	-	(2,973,427)	(2,973,427)
Fee based preschool program	2,086,114	1,109,028	-	-	(977,086)	(977,086)
Food services super Co-op	1,362,218	1,650,936	-	-	288,718	288,718
Bayside Theatre	138,186	43,001	35,929	-	(59,256)	(59,256)
<b>Total business-type activities</b>	<b>\$ 6,843,534</b>	<b>\$ 3,086,554</b>	<b>\$ 35,929</b>	<b>-</b>	<b>(3,721,051)</b>	<b>(3,721,051)</b>
<b>General revenues and transfers:</b>						
Taxes and subventions:						
Taxes levied for general purposes				113,750,967	-	113,750,967
Taxes levied for debt service				21,542,620	-	21,542,620
Taxes levied for other specific purposes				14,434,644	-	14,434,644
Federal and state aid non restricted to specific purposes				12,595,435	-	12,595,435
Interest and investment earnings				1,038,247	73,781	1,112,028
Miscellaneous				1,039,203	-	1,039,203
Internal transfers				760,829	(760,829)	-
<b>Total general revenues and transfers</b>				<b>165,161,945</b>	<b>(687,048)</b>	<b>164,474,897</b>
Change in net position				6,260,091	(4,408,099)	1,851,992
Prior Period Adjustment - Debt Refunding				3,922,068	-	3,922,068
Prior Period Adjustment - GASB 84				166,776	-	166,776
Net position beginning				(43,939,600)	(3,920,548)	(47,860,148)
Net position ending				<b>\$ (33,590,665)</b>	<b>\$ (8,328,647)</b>	<b>\$ (41,919,312)</b>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 89,792,179	\$ 141,530,919	\$ 4,582,025	\$ 30,619,921	\$ 19,087,844	\$ 285,612,888
Accounts receivable	7,666,683	368,331	297,966	70,307	1,474,264	9,877,551
Due from other funds	2,203,550	345,368	-	-	36,419	2,585,337
Other assets	1,248,920	-	-	-	57,213	1,306,133
<b>Total Assets</b>	<b>\$ 100,911,332</b>	<b>\$ 142,244,618</b>	<b>\$ 4,879,991</b>	<b>\$ 30,690,228</b>	<b>\$ 20,655,740</b>	<b>\$ 299,381,909</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 6,573,327	\$ 2,334,230	\$ 4,200	\$ -	\$ 159,680	\$ 9,071,437
Due to other funds	1,370,962	7,255	-	-	517,388	1,895,605
Unearned revenue	319,498	-	-	-	215,585	535,083
<b>Total Liabilities</b>	<b>8,263,787</b>	<b>2,341,485</b>	<b>4,200</b>	<b>-</b>	<b>892,653</b>	<b>11,502,125</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Revolving fund	35,000	-	-	-	-	35,000
Stores inventory	-	-	-	-	54,021	54,021
Prepaid expenses	1,248,920	-	-	-	3,192	1,252,112
<b>Restricted for:</b>						
Cafeteria programs	-	-	-	-	1,405,740	1,405,740
Capital projects	-	139,903,133	4,875,791	-	15,531,569	160,310,493
Educational programs	22,556,170	-	-	-	-	22,556,170
Legally restricted balances	-	-	-	-	864,686	864,686
Debt service	-	-	-	30,690,228	-	30,690,228
<b>Committed for:</b>						
Contingencies	8,327,300	-	-	-	-	8,327,300
<b>Assigned for:</b>						
Cafeteria programs	-	-	-	-	853,475	853,475
Vacation	500,000	-	-	-	-	500,000
Supplemental	187,660	-	-	-	-	187,660
Educational programs	12,732,790	-	-	-	-	12,732,790
Insurance	291,595	-	-	-	-	291,595
Payroll reserves	10,437,700	-	-	-	-	10,437,700
Deferred maintenance projects	6,065,288	-	-	-	-	6,065,288
Retiree benefits	25,418,379	-	-	-	-	25,418,379
Capital projects	-	-	-	-	744,459	744,459
Educational programs	-	-	-	-	305,945	305,945
<b>Unassigned:</b>						
Economic uncertainties	4,846,743	-	-	-	-	4,846,743
<b>Total Fund Balances</b>	<b>92,647,545</b>	<b>139,903,133</b>	<b>4,875,791</b>	<b>30,690,228</b>	<b>19,763,087</b>	<b>287,879,784</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 100,911,332</b>	<b>\$ 142,244,618</b>	<b>\$ 4,879,991</b>	<b>\$ 30,690,228</b>	<b>\$ 20,655,740</b>	<b>\$ 299,381,909</b>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total fund balances - governmental funds \$ 287,879,784

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 488,277,444	
Accumulated depreciation	<u>(145,376,035)</u>	342,901,409

The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. (13,832,534)

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements. 44,948,547

The differences between projected and actual amounts in OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:

OPEB adjustments:		
Change in assumptions	\$ 5,919,957	
Changes in experience and benefits	<u>(21,476,093)</u>	(15,556,136)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds. (4,323,000)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

General obligation and revenue bonds	\$ 479,770,740	
Loss on early retirement of long-term debt	(16,192,792)	
Net pension obligations	152,167,138	
Total OPEB liability	59,434,910	
Compensated absences (vacation)	<u>428,739</u>	<u>(675,608,735)</u>

Total net position - governmental activities \$ (33,590,665)

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
LCFF sources	\$ 123,804,613	\$ -	\$ -	\$ -	\$ -	\$ 123,804,613
Federal revenue	10,095,400	-	-	-	2,891,450	12,986,850
Other state	16,874,590	-	-	72,505	2,974,016	19,921,111
Other local	19,309,158	584,415	1,580,342	21,701,733	375,425	43,551,073
<b>Total revenues</b>	<b>170,083,761</b>	<b>584,415</b>	<b>1,580,342</b>	<b>21,774,238</b>	<b>6,240,891</b>	<b>200,263,647</b>
<b>Expenditures:</b>						
<b>Current</b>						
Instruction	106,187,943	-	-	-	1,970,859	108,158,802
Instruction-related services:						
Supervision of instruction	5,242,558	-	-	-	-	5,242,558
Instruction library, media and technology	1,295,549	-	-	-	-	1,295,549
School site administration	10,834,079	-	-	-	551,858	11,385,937
Pupil services:						
Home-to-school transportation	3,052,482	-	-	-	-	3,052,482
Food services	50,228	-	-	-	2,699,267	2,749,495
All other pupil services	10,042,571	-	-	-	-	10,042,571
General administration:						
Data processing	1,889,789	-	-	-	-	1,889,789
All other general administration	7,107,012	-	-	-	264,563	7,371,575
Plant services	12,033,357	-	30,814	-	215,120	12,279,291
Facilities acquisition and construction	559,069	34,399,937	126,974	-	162,316	35,248,296
Ancillary services	41,028	-	-	-	-	41,028
Enterprise Activities	662,318	-	-	-	-	662,318
Payments to other agencies	1,466,807	-	-	-	-	1,466,807
Debt service:						
Principal	-	-	-	12,361,359	-	12,361,359
Interest and fees	-	-	-	6,466,795	-	6,466,795
<b>Total expenditures</b>	<b>160,464,790</b>	<b>34,399,937</b>	<b>157,788</b>	<b>18,828,154</b>	<b>5,863,983</b>	<b>219,714,652</b>
Excess (deficiency) of revenues over (under) expenditures	9,618,971	(33,815,522)	1,422,554	2,946,084	376,908	(19,451,005)
<b>Other financing sources (uses):</b>						
Transfers in	784,525	-	-	-	46,186	830,711
Transfers out	(35,357)	-	-	-	(34,525)	(69,882)
Bond issuance	-	145,000,000	-	27,840,794	-	172,840,794
Bond dedeasance	-	-	-	(19,278,022)	-	(19,278,022)
<b>Total other financing sources (uses)</b>	<b>749,168</b>	<b>145,000,000</b>	<b>-</b>	<b>8,562,772</b>	<b>11,661</b>	<b>154,323,601</b>
<b>Net changes in fund balances</b>	<b>10,368,139</b>	<b>111,184,478</b>	<b>1,422,554</b>	<b>11,508,856</b>	<b>388,569</b>	<b>134,872,596</b>
Fund balances beginning	82,112,630	28,718,655	3,453,237	19,181,372	19,374,518	152,840,412
Prior period adjustment - GASB 84	166,776	-	-	-	-	166,776
Fund balances beginning - as adjusted	82,279,406	28,718,655	3,453,237	19,181,372	19,374,518	153,007,188
<b>Fund balances ending</b>	<b>\$ 92,647,545</b>	<b>\$ 139,903,133</b>	<b>\$ 4,875,791</b>	<b>\$ 30,690,228</b>	<b>\$ 19,763,087</b>	<b>\$ 287,879,784</b>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Total net change in fund balances - governmental funds \$ 134,872,596

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions, net disposals and adjustments	\$ 40,883,593	
Depreciation expense	<u>(10,930,893)</u>	29,952,700

Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements. (8,313,680)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of debt principal		12,361,359
Defeasance of bonds		19,278,022
Amortization of loss on early retirement of long-term debt		(1,396,235)
Bond issuances		(172,840,794)

Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements, but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position: 3,250,254

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by: 60,108

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (10,073,111)

In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 1,050,949

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (1,942,077)

Changes in net position of governmental activities \$ 6,260,091

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
<b>Assets</b>					
Cash and investments	\$ 3,641,639	\$ 625,968	\$ 499,667	\$ 56,950	\$ 4,824,224
Accounts receivable	12,453	-	443,856	-	456,309
Due from other funds	-	60,329	-	-	60,329
Total Assets	<u>\$ 3,654,092</u>	<u>\$ 686,297</u>	<u>\$ 943,523</u>	<u>\$ 56,950</u>	<u>\$ 5,340,862</u>
<b>Deferred Outflows of Resources</b>					
OPEB Adjustments	\$ 161,007	\$ 67,669	\$ -	\$ 4,667	\$ 233,343
Pension adjustments	1,336,188	561,586	-	38,730	1,936,504
Total Deferred Outflows of Resources	<u>\$ 1,497,195</u>	<u>\$ 629,255</u>	<u>\$ -</u>	<u>\$ 43,397</u>	<u>\$ 2,169,847</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 74,025	\$ 9,596	\$ 312,053	\$ 6,105	\$ 401,779
Due to other funds	500,050	250,011	-	-	750,061
Unearned revenue	470,494	176,903	-	-	647,397
Total current liabilities	<u>1,044,569</u>	<u>436,510</u>	<u>312,053</u>	<u>6,105</u>	<u>1,799,237</u>
Long-term liabilities:					
Total OPEB liabilities	2,577,239	1,083,187	-	74,703	3,735,129
Net pension obligations	6,305,024	2,649,938	-	182,754	9,137,716
Total long-term liabilities	<u>8,882,263</u>	<u>3,733,125</u>	<u>-</u>	<u>257,457</u>	<u>12,872,845</u>
Total Liabilities	<u>\$ 9,926,832</u>	<u>\$ 4,169,635</u>	<u>\$ 312,053</u>	<u>\$ 263,562</u>	<u>\$ 14,672,082</u>
<b>Deferred Inflows of Resources</b>					
OPEB Adjustments	\$ 546,938	\$ 229,873	\$ -	\$ 15,853	\$ 792,664
Pension adjustments	258,481	108,637	-	7,492	374,610
Total Deferred Inflows of Resources	<u>\$ 805,419</u>	<u>\$ 338,510</u>	<u>\$ -</u>	<u>\$ 23,345</u>	<u>\$ 1,167,274</u>
<b>Net Position</b>					
Unrestricted	\$ (5,580,964)	\$ (3,192,593)	\$ 631,470	\$ (186,560)	\$ (8,328,647)
Total Net Position	<u>\$ (5,580,964)</u>	<u>\$ (3,192,593)</u>	<u>\$ 631,470</u>	<u>\$ (186,560)</u>	<u>\$ (8,328,647)</u>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
<b>Operating Revenues</b>					
State revenue	\$ 24,791	\$ 10,419	\$ -	\$ 719	\$ 35,929
Local revenue	283,589	1,109,028	1,650,936	43,001	3,086,554
Total Operating Revenues	<u>308,380</u>	<u>1,119,447</u>	<u>1,650,936</u>	<u>43,720</u>	<u>3,122,483</u>
<b>Operating Expenses</b>					
Certificated salaries	328,736	53,957	-	-	382,693
Classified salaries	1,584,275	1,197,170	-	83,827	2,865,272
Employee benefits	1,295,616	794,611	-	43,696	2,133,923
Books and supplies	10,969	20,252	-	-	31,221
Services and other operating expenses	37,420	20,124	1,362,218	10,663	1,430,425
Total Operating Expenses	<u>3,257,016</u>	<u>2,086,114</u>	<u>1,362,218</u>	<u>138,186</u>	<u>6,843,534</u>
Operating Income (Loss)	(2,948,636)	(966,667)	288,718	(94,466)	(3,721,051)
<b>Nonoperating Revenues (Expenses):</b>					
Interest income	65,734	-	8,047	-	73,781
Income Before Transfers	<u>(2,882,902)</u>	<u>(966,667)</u>	<u>296,765</u>	<u>(94,466)</u>	<u>(3,647,270)</u>
Transfers from Other Funds	-	-	334,705	-	334,705
Transfers to Other Funds	<u>(714,005)</u>	<u>(381,529)</u>	<u>-</u>	<u>-</u>	<u>(1,095,534)</u>
Change in Net Position	(3,596,907)	(1,348,196)	631,470	(94,466)	(4,408,099)
Beginning Net Position	<u>(1,984,057)</u>	<u>(1,844,397)</u>	<u>-</u>	<u>(92,094)</u>	<u>(3,920,548)</u>
Ending Net Position	<u>\$ (5,580,964)</u>	<u>\$ (3,192,593)</u>	<u>\$ 631,470</u>	<u>\$ (186,560)</u>	<u>\$ (8,328,647)</u>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 729,960	\$ 1,216,739	\$ 1,329,161	\$ 43,720	\$ 3,319,580
Payments to employees	(2,234,341)	(1,622,083)	(40,000)	(113,900)	(4,010,324)
Payments to vendors	14,658	(33,942)	(1,218,837)	(9,736)	(1,247,857)
Net cash provided by (used for) operating activities	<u>(1,489,723)</u>	<u>(439,286)</u>	<u>70,324</u>	<u>(79,916)</u>	<u>(1,938,601)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in	-	-	421,296	-	421,296
Transfer out	(800,596)	(381,529)	-	-	(1,182,125)
Net cash provided by (used for) noncapital financing activities	<u>(800,596)</u>	<u>(381,529)</u>	<u>421,296</u>	<u>-</u>	<u>(760,829)</u>
<b>Cash Flows from Investing Activities</b>					
Interest income	65,734	-	8,047	-	73,781
Increase (decrease) in Cash and Cash Equivalents	(2,224,585)	(820,815)	499,667	(79,916)	(2,625,649)
Cash and Cash Equivalents - Beginning	5,866,224	1,446,783	-	136,866	7,449,873
Cash and Cash Equivalents - Ending	<u>\$ 3,641,639</u>	<u>\$ 625,968</u>	<u>\$ 499,667</u>	<u>\$ 56,950</u>	<u>\$ 4,824,224</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating income	\$ (2,948,636)	\$ (966,667)	\$ 288,718	\$ (94,466)	\$ (3,721,051)
Adjustments to reconcile net operating income to net cash provided by operating activities:					
Decrease (increase) in operating assets					
Accounts receivable	19,907	131,349	(321,775)	-	(170,519)
Due from other funds	4,242	(22,392)	-	-	(18,150)
Other assets	1,994	242	-	-	2,236
Deferred outflows of resources	(8,060)	(3,387)	-	(234)	(11,681)
Increase (decrease) in operating liabilities					
Accounts payable	61,053	6,192	143,381	927	211,553
Due to other funds	500,050	248,512	(40,000)	-	708,562
Unearned revenue	401,673	(34,057)	-	-	367,616
Deferred inflows of resources	531,189	223,254	-	15,397	769,840
Total OPEB liabilities	(461,847)	(194,110)	-	(13,386)	(669,343)
Net pension obligations	408,712	171,778	-	11,846	592,336
Net cash provided by (used for) operating activities	<u>\$ (1,489,723)</u>	<u>\$ (439,286)</u>	<u>\$ 70,324</u>	<u>\$ (79,916)</u>	<u>\$ (1,938,601)</u>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

A. Accounting Principles

The San Mateo-Foster City School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District’s combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for general purpose financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2021, the District had the following component units: The San Mateo-Foster City School District Public Education Facilities Financing Corporation whose purpose is to finance the construction of facilities to be used for the direct benefit of the District. However, there has been no financial activity for the past few years.

C. Basis of Presentation

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of Statement of Revenues, Expenditures, and Changes in Fund Balances presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements:**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The enterprise funds are presented by fund type on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 365 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

**Deferred Outflow of Resources and Deferred Inflow of Resources:**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding which is reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension and OPEB liabilities reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension and OPEB liabilities reported in the Statement of Net Position.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Unearned Revenue:**

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

**Unavailable Revenue:**

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

**Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Proprietary Funds:**

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from non-exchange transactions or ancillary activities.

**Fiduciary Funds:**

Fiduciary funds are reported using the economic resources measurement focus.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The District's accounts are organized into major and nonmajor as follows:

**Major Governmental Funds:**

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay and the Retiree Benefits Fund.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

**Nonmajor Governmental Funds:**

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Child Development Fund* is used to account for resources restricted for child development programs maintained by the District
- The *Cafeteria Fund* is a special revenue fund used to account for revenues received and expenditures made to operate the District's food service programs.

*Capital Projects Funds* are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:

- The *County School Facilities Fund* is used primarily to account separately for State apportionments for the construction of school facilities (Education Code Sections 17010.10-17076.10).
- The *Special Reserve Fund for Capital Outlay Projects* exists primarily for the accumulation of General Fund monies for capital outlay purposes.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Proprietary Funds:**

Proprietary Funds focus on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary Funds are classified as enterprise or internal service. The District has the following proprietary funds:

The *Children's Annex* enterprise fund accounts for revenue and expenses of the District's before and after school childcare and enrichment programs.

The *Fee Based Preschool Program* enterprise fund accounts for revenue and expenses of the District's fee based preschool programs.

The *Bayside Theatre* enterprise fund accounts for revenue and expenses related to the operation of the Bayside Theatre on the Bayside Academy campus.

Each of these funds were reported as a major funds.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

H. Benefit Plans

*Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (CalSTRS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

*Other Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB.

Valuation Date	July 1, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The District’s central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The District utilizes a capitalization threshold of \$5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	5-50
Buildings and improvements	20-50
Furniture and Equipment	2-15

5. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

6. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 5 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Capital Projects* restrictions will be used for the acquisition and construction of capital facilities.

*Cafeteria Programs* restrictions reflect the amounts to be expended for federal and state funded nutrition programs.

*Educational Program* restrictions reflect the amounts to be expended for federal and state funded educational programs.

*Unrestricted net position* reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Interfund Balances and Activity

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating

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revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

10. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are parent fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

11. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

12. Risk Management

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance and participation in a public entity risk pool. The District participates in the San Mateo County Schools Insurance Group public entity risk pool (JPA). Refer to Note 10 for additional information regarding the JPA. Excess property and liability coverage is obtained

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through SELF. Coverage provided by San Mateo-County Schools Insurance Group for property and liability workers' compensation is as follows:

Workers' compensation	State of California Statutory Limits
Property	\$250,000 - \$1,000,000,000 per occurrence
Liability	\$250,000 - \$25,000,000 per occurrence

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

13. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Implemented Accounting Pronouncements

*GASB Statement No. 84, "Fiduciary Activities."* Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement is effective beginning fiscal year 2021. Items previously reported as part of the agency fund classification of the Fiduciary Funds statements were reviewed to evaluate if they met the new custodial funds criteria. The District restated its general fund's beginning fund balance by \$166,776 to reclassify student body and scholarship funds previously reported as Agency funds. The student body funds were evaluated to determine if they were custodial funds as identified by GASB 84, but did not meet the definition of custodial funds and were identified as non-fiduciary.

K. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

*GASB Statement No. 87, "Leases."* Issued in June 2017, this statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It provides guidance on accounting treatment of lease assets, lease liability, short-term leases, certain regulated leases, measurement for leases other than short-term leases and contracts that transfer ownership, subleases, lease-leaseback transactions, intra-entity leases, and leases between related parties. The statement will be effective beginning fiscal year 2022.

*GASB Statement No. 91, "Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

*GASB Statement No. 92, "Omnibus 2020."* Issued in January 2020, this statement was issued for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

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GASB Statement No. 93, “Replacement of Interbank Offered Rates.” Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements.” Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements.” Issued in May 2020, the statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.” Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022.

**NOTE 2 - CASH AND INVESTMENTS**

The following summarizes cash and investments as of June 30, 2021:

Description	Carrying Amount	Fair Value
<b>Governmental Activities:</b>		
Cash in county treasury investment pool	\$ 284,001,713	\$ 285,052,519
Cash in revolving fund	35,000	35,000
Cash on hand and in banks	1,359,235	1,359,235
Cash with fiscal agent	215,579	216,377
Total Cash Deposits	285,611,527	286,663,131
Investments:		
California Local Agency Investment Fund	1,361	1,368
Total Governmental Cash and Investments	285,612,888	286,664,499
<b>Business-Type Activities:</b>		
Cash in county treasury investment pool	4,795,402	4,813,145
Cash in revolving fund	10,000	10,000
Cash on hand and in banks	18,822	18,822
Total Business-Type Cash and Investments	4,824,224	4,841,967
Total Government-Wide Cash and Investments	\$ 290,437,112	\$ 291,506,466

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**Cash in banks and revolving funds**

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2021, the bank balance of the District's accounts with banks was \$1,613,966, which exceeded FDIC limits by \$1,363,966.

**Cash in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Fair Value Measurements**

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value

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to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately \$2.122 billion and an amortized book value of \$2.114 billion. The average weighted maturity for this pool is 638 days.

*Credit Risk*

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County’s general investment policy. The investment with the San Mateo County Investment Pool is rated at least AA by Moody’s Investor Service.

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District 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 or local governmental units by 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

*Concentration of Credit Risk*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2021:

	Governmental Activities					Total
	General Fund	Building Fund	Bond Interest & Redemption Fund	Capital Facilities Fund	Other Nonmajor Funds	
Receivables						
Federal Government	\$ 3,155,995	\$ -	\$ -	\$ -	\$ 919,486	\$ 4,075,481
State Government	1,019,064	-	-	-	493,603	1,512,667
Local Resources	3,491,624	368,331	70,307	297,966	61,175	4,289,403
Total Accounts Receivable	<u>\$ 7,666,683</u>	<u>\$ 368,331</u>	<u>\$ 70,307</u>	<u>\$ 297,966</u>	<u>\$ 1,474,264</u>	<u>\$ 9,877,551</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
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**NOTE 4 - INTERFUND TRANSACTIONS**

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**Interfund Receivables/Payables (Due From/Due To)**

As of June 30, 2021, the District interfund payables and receivables consisted of the following:

Fund	Due From	Due To
General Fund	\$ 2,203,550	\$ 1,370,962
Building Fund	345,368	7,255
Capital Facilities Fund	-	-
The Children's Annex Fund	-	500,050
Fee Based Preschool Fund	60,329	250,011
Nonmajor Governmental Funds	36,419	517,388
Totals	<u>\$ 2,645,666</u>	<u>\$ 2,645,666</u>

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. As of June 30, 2021, the District interfund transfers consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 784,525	\$ 35,357
The Children's Annex Fund	-	714,005
Fee Based Preschool Fund	-	381,529
Food Services Super Co-op	334,705	-
Nonmajor Governmental Funds	46,186	34,525
Totals	<u>\$ 1,165,416</u>	<u>\$ 1,165,416</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
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**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

The following summarizes the changes in capital assets for the year ended June 30, 2021:

Capital Assets	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Land - not depreciable	\$ 10,269,460	\$ -	\$ -	\$ 10,269,460
Work-in-progress - not depreciable	90,449,428	40,713,415	(12,569,747)	118,593,096
Site improvements	37,883,868	-	-	37,883,868
Buildings and improvements	292,619,920	12,569,747	-	305,189,667
Furniture and equipment	16,171,175	170,178	-	16,341,353
<b>Total capital assets</b>	<b>447,393,851</b>	<b>53,453,340</b>	<b>(12,569,747)</b>	<b>488,277,444</b>
Less accumulated depreciation for:				
Site improvements	17,164,446	1,972,927	-	19,137,373
Buildings and improvements	108,323,090	7,363,223	-	115,686,313
Furniture and equipment	8,957,606	1,594,743	-	10,552,349
<b>Total accumulated depreciation</b>	<b>134,445,142</b>	<b>10,930,893</b>	<b>-</b>	<b>145,376,035</b>
<b>Total capital assets - net depreciation</b>	<b>\$ 312,948,709</b>	<b>\$ 42,522,447</b>	<b>\$ (12,569,747)</b>	<b>\$ 342,901,409</b>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 8,690,990
Home-to-school transportation	169,546
Food services	34,459
All other general administration	808,488
Plant services	1,227,410
<b>Total depreciation expense</b>	<b>\$ 10,930,893</b>

**NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2021:

Long-Term Liabilities	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds	\$ 337,427,969	\$ 179,529,455	\$ 37,186,684	\$ 479,770,740	\$ 16,585,000
Net OPEB liability	82,430,103	7,309,456	26,569,520	63,170,039	-
Compensated Absences	488,846	-	60,107	428,739	107,185
Net Pension Liabilities	141,986,284	61,901,940	42,583,371	161,304,853	-
<b>Total Long-Term Liabilities</b>	<b>\$ 562,333,202</b>	<b>\$ 248,740,851</b>	<b>\$ 106,399,682</b>	<b>\$ 704,674,371</b>	<b>\$ 16,692,185</b>

Payments on bonds are made by the Bond Interest and Redemption Fund from local revenues. The accrued vacation, pension liabilities, and other postemployment benefits will be paid by the fund for which the employee worked.

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**NOTE 7 - BONDS**

**Revenue Bonds, Series 2005**

On October 13, 2005, San Mateo-Foster City School Facilities Financing Authority (the Authority) issued \$79,975,000 of revenue bonds. These were issued to generate over \$3 million in savings to taxpayers by refunding the District's old bonds and to finance facilities to be acquired and/or constructed. This was partially refunded by the 2014 and 2015 General Obligation Refunding bonds during the 14/15 fiscal year. This bond was fully defeased through a refunding.

**General Obligation Bonds, Election 2008, Series A**

In February 2010, the District issued \$54,999,413 of general obligation bonds, Election of 2008, Series A. The bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. The Bonds are the first series of bonds to be issued under this authorization.

**General Obligation Bonds, Election 2008, Series Q**

In July 2010, the District issued \$25,000,000 General Obligation Bonds, Election of 2008, Series Q, under the Federal Taxable Direct-Pay Qualified School Construction Bonds (QSCB) pursuant to a resolution adopted by the Board on June 17, 2011. The Bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. This issue of the Bonds is the second series of bonds to be issued under this authorization. The issuance will save approximately \$12.9 million to the District's taxpayers in property tax levy.

**2012 General Obligation Refunding Bonds**

On June 5, 2012, the District issued the 2012 General Obligation Refunding Bonds to refund a portion of the outstanding principal amount of its 2003 General Obligation Refunding Bonds, maturing on September 1 in the years 2013 through and including the year 2020, in the aggregate principal amount of \$15,180,000. The proceeds of the 2012 General Obligation Refunding Bonds received on the Closing Date, \$15,536,459 was deposited in a refunding escrow fund. This was sufficient to pay the principal of and interest on the 2003 General Obligation Refunding Bonds refunded on September 1, 2012.

**General Obligation Bonds, Election 2008, Series C**

In November 2012, the District issued \$35,000,000 of general obligation bonds, Election of 2008, Series C. The Bonds were authorized at an election of the registered voters of the District held on February 5, 2008, which authorized the issuance of \$175,000,000 principal amount of general obligation bonds for the purpose of financing the renovation and modernization of school facilities. This issue of the Bonds is the third series of bonds to be issued under this authorization.

**2014 General Obligation Refunding Bonds**

In August 2014, the District issued \$2,080,000 of general obligation refunding bonds for the purpose of partially refunding the Revenue Bonds, Series 2005.

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**2015 General Obligation Refunding Bonds**

In May 2015, the District issued \$27,875,000 of general obligation refunding bonds for the purpose of partially refunding the Revenue Bonds, Series 2005.

**2020 General Obligation Refunding Bonds**

In April 2020, the District issued \$146,705,000 of general obligation refunding bonds for the purpose of refunding the Revenue Bonds, Election 2008, Series D and the Revenue Bonds, Election 2015, Series A.

**2020 General Obligation Refunding Bonds, Series B and Series C**

In October 2020, the District issues \$19,120,000 in 2020, Series B and C general obligation refunding bonds. The bonds were issued at a premium of \$379,042 and have coupon rates from 0.249% to 4.0% through 2030. The bonds were issued to refund a portion of the District's General Obligation Bonds, Election 2008, Series C.

**General Obligation Bonds 2020, Series A and B**

In March 2021, the District issued \$145,000,000 of general obligation bonds, Election of 2020, Series A and B. The Series A Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuance of the bonds.

The following schedule summarizes the District's outstanding Bonds as of June 30, 2021:

Description	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
<b>Principle Bonds:</b>							
Revenue Bond, Series 2005	8/15/2023	3-5.5%	\$ 79,975,000	\$ 3,922,068	\$ -	\$ 3,922,068	\$ -
GO Bonds 2008, Series A	8/1/2042	2.95-6.625%	54,999,413	54,714,768	-	1,011,293	53,703,475
GO Bonds 2008, Series Q	8/1/2026	6%	25,000,000	23,570,000	-	655,000	22,915,000
2012 GO Refunding Bonds	9/1/2020	2-5%	14,700,000	2,195,000	-	2,195,000	-
GO Bonds 2008, Series C	8/1/2039	2-5%	35,000,000	22,070,000	-	17,210,000	4,860,000
2014 GO Refunding Bonds	8/1/2026	5%	2,080,000	2,080,000	-	340,000	1,740,000
2015 GO Refunding Bonds	8/1/2023	3-5%	27,875,000	27,470,000	-	4,510,000	22,960,000
2020 GO Refunding Bonds	8/1/2045	2-5%	146,705,000	146,705,000	-	2,390,000	144,315,000
2020 GORB, Series B	8/1/2025	4%	2,870,000	-	2,870,000	-	2,870,000
2020 GORB, Series C	8/1/2039	.249-2.813	16,250,000	-	16,250,000	-	16,250,000
GO Bonds 2020, Series A	8/1/2051	2.5-4%	100,000,000	-	100,000,000	-	100,000,000
GO Bonds 2020, Series B	8/1/2044	2.375-4%	45,000,000	-	45,000,000	-	45,000,000
Subtotal General Obligation Bonds			550,454,413	282,726,836	164,120,000	32,233,361	414,613,475
<b>Accreted Interest:</b>							
GO Bonds 2008, Series A			-	49,241,912	6,688,661	1,703,069	54,227,504
<b>Unamortized Bond Premium</b>							
			19,142,805	5,459,221	8,720,794	3,250,254	10,929,761
<b>Total Bond Related Debt</b>			<b>\$ 569,597,218</b>	<b>\$ 337,427,969</b>	<b>\$ 179,529,455</b>	<b>\$ 37,186,684</b>	<b>\$ 479,770,740</b>

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The following is a summary of the District's annual debt service requirements as of June 30, 2021:

Year Ending June 30	Principal	Interest	Total
2022	\$ 16,585,000	\$ 10,704,517	\$ 27,289,517
2023	25,575,000	10,426,477	36,001,477
2024	24,825,000	9,988,476	34,813,476
2025	8,990,000	10,048,355	19,038,355
2026	9,660,000	9,979,320	19,639,320
2027-2031	28,614,791	88,152,950	116,767,741
2032-2036	53,789,619	96,188,633	149,978,252
2037-2041	90,392,479	95,504,732	185,897,211
2042-2046	113,651,586	33,903,186	147,554,772
2047-2051	34,180,000	3,300,002	37,480,002
2052-2056	8,350,000	104,375	8,454,375
Total Debt Service	<u>\$ 414,613,475</u>	<u>\$ 368,301,023</u>	<u>\$ 782,914,498</u>

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS**

**A. California Public Employees Retirement System (CalPERS/PERS) Pension Plan**

*General Information about the PERS Pension Plan*

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District 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.

**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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 the Plan are applied as specified by the Public Employees' Retirement Law.

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The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<b>CalPERS</b>	
	<u>Classic</u>	<u>PEPRA</u>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	20.700%	20.700%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

**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 annual basis by the actuary and shall be effective on the 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. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the District's contributions were as follows:

	<b>CalPERS</b>
Employer Contributions	<u>\$ 4,813,938</u>

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS*

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
CalPERS	<u>\$ 48,890,413</u>

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The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<b>CalPERS</b>
Proportion - June 30, 2020	0.15560%
Proportion - June 30, 2021	0.15934%
Change - Increase/(Decrease)	0.00374%

For the year ended June 30, 2021, the District recognized pension expense of \$9,665,621 for the Plan. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 179,283	\$ -
Differences between Expected and Actual Experience	2,424,814	-
Differences between Projected and Actual Investment Earnings	1,017,743	-
Differences between Employer's Contributions and Proportionate Share of Contributions	21,441	1,126,305
Change in Employer's Proportion	901,857	278,874
Pension Contributions Made Subsequent to Measurement Date	4,813,938	-
<b>Total</b>	<b>\$ 9,359,076</b>	<b>\$ 1,405,179</b>

The District reported \$4,813,938 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
<b>Ending June 30:</b>	<b>CalPERS</b>
2022	\$ 1,184,242
2023	797,016
2024	684,884
2025	473,818
2026	-
Thereafter	-
<b>Total</b>	<b>\$ 3,139,960</b>

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 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 the Plan.

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The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class (a)</u>	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.00% used for this period.
- (c) 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 the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability \$	70,288,885
Current	7.15%
Net Pension Liability \$	48,890,413
1% Increase	8.15%
Net Pension Liability \$	31,130,756

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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**B. California State Teachers' Retirement System (STRS) Pension Plan**

*General Information about the STRS Pension Plan*

**Plan Description** - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

**Benefits Provided** - STRS 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. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<b>CalSTRS</b>	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.150%	16.150%
Required State contribution rates	10.328%	10.328%

**Contributions** - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2021, the District's contributions were as follows:

	<b>CalSTRS</b>
Employer Contributions	\$ 11,276,735
State Contributions	6,547,139
Total	\$ 17,823,874

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
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*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS*

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
District	\$ 112,414,440
State	57,949,644
<b>Total</b>	<b>\$ 170,364,084</b>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 10.46 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<b>CalSTRS</b>
Proportion - June 30, 2020	<u>0.10700%</u>
Proportion - June 30, 2021	<u>0.11600%</u>
Change - Increase/(Decrease)	<u><u>0.00900%</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$23,751,845, of which, a total of \$6,532,841 came from state contributions.

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

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 10,962,000	\$ -
Differences between Expected and Actual Experience	198,360	3,170,280
Differences between Projected and Actual Investment Earnings	2,670,320	-
Differences between Employer's Contributions and Proportionate Share of Contributions	10,895	2,824,867
Change in Employer's Proportion	12,407,666	6,806,820
Pension Contributions Made Subsequent to Measurement Date	11,276,735	-
<b>Total</b>	<b>\$ 37,525,976</b>	<b>\$ 12,801,967</b>

The District reported \$11,276,735 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources CalSTRS
2022	\$ 1,449,930
2023	4,204,930
2024	5,418,636
2025	2,231,552
2026	(756,497)
Thereafter	898,723
<b>Total</b>	<b>\$ 13,447,274</b>

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
- (2) Net of investment expense but gross of administrative expenses.
- (3) Based on 110% of the MP-2016 Ultimate Projection

**Discount Rate** - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return (a) (b)
Global Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigation Strategies	10.00%	1.75%
Liquidity	2.00%	-0.35%
<b>Total</b>	<b>100.00%</b>	

- (a) Real return is net of assumed 2.75% inflation.
- (b) 20-year geometric average.

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**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>CalSTRS</b>
1% Decrease	6.10%
Net Pension Liability	\$ 169,842,560
Current	7.10%
Net Pension Liability	\$ 112,414,440
1% Increase	8.10%
Net Pension Liability	\$ 64,999,440

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

**C. Postemployment Benefits Other Than Pension Benefits**

*Plan Description.*

The District administers a single employer defined benefit healthcare plan. It provides lifetime postemployment health care benefits, in accordance with District's employment contracts, to most employees who retire from the District. Managers, who retire from the District, are eligible for full lifetime medical, vision, and dental premiums for the employee only. There is a cap on SMETA and CSEA payments up to the age of 65 and after the age of 65.

*Benefits*

Certificated employees who retire after age 50 with at least 5 years of service will be paid the PEMHCA minimum benefit for as long as the retiree lives. This amount, per month, at the time that the employee retires, remain unchanged for life. Before age 65, the PEMHCA minimum benefit is paid whether the retired employee is enrolled in a PERS medical plan or not. After age 65, the PEMHCA minimum benefit is only paid if the retired employee is enrolled in a PERS medical plan. Whether or not the retiree is enrolled under dental and/or vision benefits does not affect the amount that the District pays each month.

Classified employees who retire after age 50, with at least 5 years of service, will be paid the PEMHCA minimum benefit for as long as the retiree lives. This amount will increase each year in the future to align with the PEMHCA minimum benefit. The PEMHCA minimums are only paid if the retired employee is enrolled under a CalPERS or District medical plan. Whether or not the retiree is enrolled under dental and/or vision benefits does not affect the amount that the District pays each month.

Management and confidential employees who retire after age 50 with at least 5 years of service will be paid the PEMHCA minimum benefit for as long as the retiree lives. This amount will increase each year in the future. The PEMHCA minimums are only paid if the retiree is enrolled under a CalPERS medical plan.

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*Employees Covered by Benefit Terms*

At June 30, 2020 (the valuation date), the benefit terms covered the following employees:

Active employees	1,134
Inactive employees	758
<b>Total employees</b>	<b>1,892</b>

*Contributions*

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions to the OPEB plan during the year were \$2,223,065. Total benefit payments included in the measurement period were \$2,100,466. The actuarially determined contribution for the measurement period was \$8,913,420. The District’s contributions were 2.53% of payroll during the measurement period June 30, 2020. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

*Actuarial Assumptions*

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	2.66%
Inflation	2.75%
Payroll Increases	3.00%
Municipal Bond Rate	2.66%
Mortality	2017 CalPERS valuation 2020 Cal STRS valuation
Retirement	2017 CalPERS valuation 2020 Cal STRS valuation

*Discount Rate*

Since the benefits are not funded, the discount rate is equal to the Bond Buyer 20-Year Bond Index, which was 2.66%.

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*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2020 (measurement date) and was determined by an actuarial valuation as of June 30, 2020 (valuation date) for the fiscal year ended June 30, 2021 (reporting date).

*Changes in the Total OPEB Liability*

The following summarizes the changes in the total OPEB liability during the year ended June 30, 2021:

<b>Fiscal Year Ended June 30, 2021</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>19Balance at June 30, 2020</b>	\$ 82,430,103	\$ -	\$ 82,430,103
Service cost	4,799,747	-	4,799,747
Interest in Total OPEB Liability	2,270,498	-	2,270,498
Change in benefit terms	(3,411,937)	-	(3,411,937)
Actual and exp experience	(25,405,202)	-	(25,405,202)
Changes in assumptions	4,587,296	-	4,587,296
Benefit payments	(2,100,466)	-	(2,100,466)
<b>Net changes</b>	<b>(19,260,064)</b>	<b>-</b>	<b>(19,260,064)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 63,170,039</b>	<b>\$ -</b>	<b>\$ 63,170,039</b>
Covered Employee Payroll	\$ 83,147,359		
Total OPEB Liability as a % of Covered Employee Payroll	75.97%		
Service Cost as a % of Covered Employee Payroll	5.77%		
Net OPEB Liability as a % of Covered Employee Payroll	75.97%		

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

*Deferred Inflows and Outflows of Resources*

At June 30, 2021, the District 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>
Difference between actual and expected experience	\$ -	\$ 22,268,757
Change in assumptions	3,930,236	-
OPEB contribution subsequent to measurement date	2,223,065	-
<b>Totals</b>	<b>\$ 6,153,301</b>	<b>\$ 22,268,757</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$2,223,065 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2022.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2022	\$ (2,501,261)
2023	(2,501,261)
2024	(2,501,261)
2025	(2,501,261)
2026	(2,501,259)
Thereafter	<u>(5,832,218)</u>
<b>Total</b>	<b><u>\$ (18,338,521)</u></b>

*OPEB Expense*

The following summarizes the OPEB expense by source during the year ended June 30, 2020:

Service cost	\$ 4,799,747
Interest in TOL	2,270,498
Changes in benefit terms	(3,411,937)
Difference between actual and expected experience	(3,136,445)
Change in assumptions	<u>635,183</u>
<b>OPEB Expense</b>	<b><u>\$ 1,157,046</u></b>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2020:

Total OPEB liability ending	\$ 63,170,039
Total OPEB liability beginning	<u>(82,430,103)</u>
Change in total OPEB liability	(19,260,064)
Changes in deferred outflows	(4,075,604)
Changes in deferred inflows	22,415,017
Employer contributions and implicit subsidy	<u>2,077,697</u>
<b>OPEB Expense</b>	<b><u>\$ 1,157,046</u></b>

*Sensitivity to Changes in the Municipal Bond Rate*

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	<u>Municipal Bond Rate</u>		
	<u>(1% Decrease )</u>	<u>2.66%</u>	<u>(1% Increase )</u>
Total OPEB Liability	\$ 75,439,051	\$ 63,170,039	\$ 53,645,554

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*Sensitivity to Changes in the Healthcare Cost Trend Rates*

The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease )	Current	(1% Increase )
Total OPEB Liability	\$ 57,511,540	\$ 63,170,039	\$ 70,179,504

**NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)**

The District is a member of the San Mateo County Schools’ Insurance Group (SMCSIG), joint powers authority (JPA). The District pays an annual premium to the entity for its health, workers’ compensation, and property liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the entity.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the District believes that any required reimbursements will not be material.

Litigation

The District may be exposed to various claims and litigation. Management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District’s financial position or results of operations.

**NOTE 11 – COVID-19 PANDEMIC IMPACT**

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. The operations and business results of the District could be materially and adversely affected in the future, including a reduction in the level of funding and potential impacts from the timing of cash flows. In addition, significant estimates may be materially and adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021-2022 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed. At the date of the issuance of these financial statements, the future impact of the CV19 Crisis cannot be reasonably estimated.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF sources	\$ 121,073,451	\$ 124,748,979	\$ 123,804,613	\$ (944,366)
Federal revenues	3,590,314	13,484,163	10,095,400	(3,388,763)
Other state	9,589,631	16,578,531	16,874,590	296,059
Other local	17,180,319	19,671,913	19,309,158	(362,755)
Total revenues	<u>151,433,715</u>	<u>174,483,586</u>	<u>170,083,761</u>	<u>(4,399,825)</u>
Expenditures:				
Certificated salaries	70,940,203	71,145,369	71,163,768	(18,399)
Classified salaries	17,621,587	17,975,820	18,469,643	(493,823)
Employee benefits	35,810,931	36,071,612	35,908,035	163,577
Books and supplies	5,311,694	6,784,435	6,252,951	531,484
Services and other operating expenditures	26,863,209	31,615,104	27,064,560	4,550,544
Capital outlay	10,000	309,084	375,057	(65,973)
Other outgo	976,218	1,254,733	1,230,776	23,957
Total expenditures	<u>157,533,842</u>	<u>165,156,157</u>	<u>160,464,790</u>	<u>4,691,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,100,127)</u>	<u>9,327,429</u>	<u>9,618,971</u>	<u>291,542</u>
Other financing sources (uses):				
Transfers in	848,173	598,725	784,525	185,800
Transfers out	<u>(33,959)</u>	<u>(33,959)</u>	<u>(35,357)</u>	<u>(1,398)</u>
Total other financing sources (uses)	<u>814,214</u>	<u>564,766</u>	<u>749,168</u>	<u>184,402</u>
Change in fund balance	<u>\$ (5,285,913)</u>	<u>\$ 9,892,195</u>	10,368,139	<u>\$ 475,944</u>
Prior period adjustments GASB 84			166,776	
Fund balance beginning			<u>82,279,406</u>	
Fund balance ending			<u>\$ 92,647,545</u>	

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CalPERS	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contributions	\$ 2,120,002	\$ 2,283,587	\$ 2,738,437	\$ 3,359,129	\$ 3,901,937	\$ 4,538,840	\$ 4,813,938
Contributions in Relation to Contractually Required Contributions	2,120,002	2,283,587	2,738,437	3,359,129	3,901,937	4,538,840	4,813,938
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>						
<b>Covered Payroll</b>	<b>\$18,010,381</b>	<b>\$19,275,656</b>	<b>\$19,718,008</b>	<b>\$21,628,543</b>	<b>\$21,603,017</b>	<b>\$23,015,263</b>	<b>\$23,246,668</b>
<b>Contributions as a % of Covered Payroll</b>	<b>11.77%</b>	<b>11.85%</b>	<b>13.89%</b>	<b>15.53%</b>	<b>18.06%</b>	<b>19.72%</b>	<b>20.71%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2019  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
4.1 Years Remaining Amortization Period  
Inflation Assumed at 2.5%  
Investment Rate of Returns set at 7.15%  
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.  
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.  
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.  
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.  
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CALPERS PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CalPERS	2015	2016	2017	2018	2019	2020	2021
District's Proportion of Net Pension Liability	0.15810%	0.15600%	0.15719%	0.15451%	0.15807%	0.15560%	0.15934%
District's Proportionate Share of Net Pension Liability	\$ 17,948,200	\$ 22,994,554	\$ 31,045,565	\$ 36,885,615	\$ 42,146,438	\$ 45,348,164	\$ 48,890,413
Covered Payroll	\$ 16,593,087	\$ 18,010,381	\$ 19,275,656	\$ 19,718,008	\$ 21,628,543	\$ 21,603,017	\$ 23,015,263
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>108.17%</b>	<b>127.67%</b>	<b>161.06%</b>	<b>187.07%</b>	<b>194.86%</b>	<b>209.92%</b>	<b>212.43%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>83.38%</b>	<b>79.43%</b>	<b>73.90%</b>	<b>71.87%</b>	<b>70.85%</b>	<b>70.05%</b>	<b>70.00%</b>

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

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CALSTRS PENSION PLAN CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>CalSTRS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually Required Contributions	\$ 4,510,050	\$ 5,718,444	\$ 6,866,436	\$ 8,612,908	\$ 9,728,645	\$10,782,934	\$11,276,735
Contributions in Relation to Contractually Required Contributions	4,510,050	5,718,444	6,866,436	8,612,908	9,728,645	10,782,934	11,276,735
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>						
<b>Covered Payroll</b>	<b>\$50,788,851</b>	<b>\$53,293,979</b>	<b>\$54,582,162</b>	<b>\$59,687,512</b>	<b>\$59,758,262</b>	<b>\$63,058,094</b>	<b>\$69,926,115</b>
<b>Contributions as a % of Covered Payroll</b>	<b>8.88%</b>	<b>10.73%</b>	<b>12.58%</b>	<b>14.43%</b>	<b>16.28%</b>	<b>17.10%</b>	<b>16.13%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2019  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll Basis  
7 Years Remaining Amortization Period  
Inflation Assumed at 2.75%  
Investment Rate of Returns set at 7.10%  
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.  
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.  
This schedule provides information about the District's required and actual contributions to CalSTRS during the year.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CALSTRS PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

CalSTRS	2015	2016	2017	2018	2019	2020	2021
District's Proportion of Net Pension Liability	0.10300%	0.10800%	0.10783%	0.10300%	0.11600%	0.10700%	0.11600%
District's Proportionate Share of Net Pension Liability	\$ 60,190,110	\$ 72,709,920	\$ 87,215,910	\$ 95,253,370	\$ 106,612,120	\$ 96,638,120	\$ 112,414,440
State's Proportionate Share of Net Pension Liability Associated with the District	36,345,196	38,455,550	49,650,273	56,350,941	61,040,769	52,722,859	57,949,644
Total	<u>\$ 96,535,306</u>	<u>\$ 111,165,470</u>	<u>\$ 136,866,183</u>	<u>\$ 151,604,311</u>	<u>\$ 167,652,889</u>	<u>\$ 149,360,979</u>	<u>\$ 170,364,084</u>
Covered Payroll	\$ 45,986,752	\$ 50,788,851	\$ 53,293,979	\$ 54,582,162	\$ 59,687,512	\$ 59,758,262	\$ 63,058,094
<b>District's Proportionate Share of NPL as a % of Covered Payroll</b>	<b>130.89%</b>	<b>143.16%</b>	<b>163.65%</b>	<b>174.51%</b>	<b>178.62%</b>	<b>161.72%</b>	<b>178.27%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>76.52%</b>	<b>74.02%</b>	<b>70.04%</b>	<b>69.46%</b>	<b>70.99%</b>	<b>72.56%</b>	<b>71.82%</b>

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.  
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.  
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.  
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.  
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of CalSTRS in compliance with GASB 68.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN  
TOTAL OPEB LIABILITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total OPEB liability</b>				
Service cost	\$ 4,484,420	\$ 4,146,975	\$ 4,437,778	\$ 4,799,747
Interest	1,857,366	2,128,176	2,211,170	2,270,498
Changes of benefit terms	-	-	-	(3,411,937)
Differences between expected and actual experience	-	-	-	(25,405,202)
Changes of assumptions	(4,980,087)	1,829,514	2,567,263	4,587,296
Benefit payments	(1,991,208)	(1,821,453)	(1,972,901)	(2,100,466)
Net change in Total OPEB Liability	(629,509)	6,283,212	7,243,310	(19,260,064)
Total OPEB Liability - beginning	69,533,090	68,903,581	75,186,793	82,430,103
Total OPEB Liability - ending	<u>\$ 68,903,581</u>	<u>\$ 75,186,793</u>	<u>\$ 82,430,103</u>	<u>\$ 63,170,039</u>
 <b>Plan fiduciary net position</b>				
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB liability (asset)	 \$ 68,903,581	 75,186,793	 82,430,103	 63,170,039
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%	 0.00%	 0.00%
 Covered Employee Payroll	 \$ 70,004,222	 \$ 74,600,585	 \$ 78,751,964	 \$ 81,114,523
 Net OPEB liability as a percentage of covered employee payroll	 98.43%	 100.79%	 104.67%	 77.88%
 Total OPEB liability as a percentage of covered employee payroll	 98.43%	 100.79%	 104.67%	 77.88%

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

For classified employees who retire with at least 10 years of service, and age plus service at least 65, the monthly benefit prior to age 65 has been increased from \$750 to \$850.

For classified employees who were hired after 2015, the monthly benefit before age 65 has been reduced from \$320 to \$250.

For retired management employees, the maximum amount of medical premiums reimbursed each month has now been capped at \$1,000.

The discount decreased from 3.13% in 2020 to 2.66% in 2021.

The assumed probabilities of retirement, turnover and mortality have been changed from the 2014 CalPERS and 2016 STRS rates to the 2017 CalPERS and 2020 STRS rates.

Contributions were not based on a measure of pay.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1 - BUDGETARY COMPARISON SCHEDULE**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP and there were not expenditures in excess of appropriations during the year.

**NOTE 2 - SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

**NOTE 3 - SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS**

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

**NOTE 4 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**

This schedule presents information on the District's changes in total OPEB liability in compliance with GASB 75.

**SUPPLEMENTARY  
INFORMATION**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	Special Revenue Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
<b>Assets</b>					
Cash and investments	\$ 975,103	\$ 1,768,698	\$ 25,573	\$ 16,318,470	\$ 19,087,844
Accounts receivable	520,941	912,466	64	40,793	1,474,264
Due from other funds	6	1,056	-	35,357	36,419
Other assets	2,827	54,386	-	-	57,213
<b>Total Assets</b>	<b>\$ 1,498,877</b>	<b>\$ 2,736,606</b>	<b>\$ 25,637</b>	<b>\$ 16,394,620</b>	<b>\$ 20,655,740</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 27,210	\$ 80,215	\$ -	\$ 52,255	\$ 159,680
Due to other funds	298,209	127,205	-	91,974	517,388
Unearned revenue	-	215,585	-	-	215,585
<b>Total Liabilities</b>	<b>325,419</b>	<b>423,005</b>	<b>-</b>	<b>144,229</b>	<b>892,653</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	54,021	-	-	54,021
Prepaid expenses	2,827	365	-	-	3,192
<b>Restricted for:</b>					
Cafeteria programs	-	1,405,740	-	-	1,405,740
Capital projects	-	-	-	15,531,569	15,531,569
Legally restricted balances	864,686	-	-	-	864,686
<b>Assigned for:</b>					
Capital projects	-	-	25,637	718,822	744,459
Cafeteria programs	-	853,475	-	-	853,475
Educational programs	305,945	-	-	-	305,945
<b>Total Fund Balances</b>	<b>1,173,458</b>	<b>2,313,601</b>	<b>25,637</b>	<b>16,250,391</b>	<b>19,763,087</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,498,877</b>	<b>\$ 2,736,606</b>	<b>\$ 25,637</b>	<b>\$ 16,394,620</b>	<b>\$ 20,655,740</b>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
Revenues:					
Federal revenue	\$ 170,601	\$ 2,720,849	\$ -	\$ -	\$ 2,891,450
Other state	2,611,503	362,513	-	-	2,974,016
Other local	74,365	102,851	307	197,902	375,425
<b>Total revenues</b>	<b>2,856,469</b>	<b>3,186,213</b>	<b>307</b>	<b>197,902</b>	<b>6,240,891</b>
Expenditures:					
Current					
Instruction	1,970,859	-	-	-	1,970,859
Instruction-related services:					
School site administration	551,858	-	-	-	551,858
Pupil services:					
Food services	-	2,699,267	-	-	2,699,267
General administration:					
All other general administration	137,359	127,204	-	-	264,563
Plant services	128,763	6,815	-	79,542	215,120
Facilities acquisition & construction	-	7,750	-	154,566	162,316
<b>Total expenditures</b>	<b>2,788,839</b>	<b>2,841,036</b>	<b>-</b>	<b>234,108</b>	<b>5,863,983</b>
Excess (deficiency) of revenues over (under) expenditures	67,630	345,177	307	(36,206)	376,908
Other financing sources (uses):					
Transfers in	10,829	-	-	35,357	46,186
Transfers out	(34,525)	-	-	-	(34,525)
<b>Total other financing sources (uses)</b>	<b>(23,696)</b>	<b>-</b>	<b>-</b>	<b>35,357</b>	<b>11,661</b>
Change in fund balances	43,934	345,177	307	(849)	388,569
Fund balances beginning	1,129,524	1,968,424	25,330	16,251,240	19,374,518
Fund balances ending	<u>\$ 1,173,458</u>	<u>\$ 2,313,601</u>	<u>\$ 25,637</u>	<u>\$ 16,250,391</u>	<u>\$ 19,763,087</u>

**STATE AND FEDERAL  
AWARD COMPLIANCE  
SECTION**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
ORGANIZATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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The San Mateo-Foster City School District was established in 1948. The District operates under a locally elected five-member Board form of government and provides educational services to grades K to 8 as mandated by the State and/or Federal agencies. The District operates fifteen elementary schools, three middle schools, two K-8 school and one Before and After School Children Annex. There were no changes in the boundaries of the District during the current fiscal year.

The Board of Education and District Administrators for the fiscal year ended June 30, 2021, included the following members:

**Governing Board**

Name	Office	Term Expires
Kenneth Chin	President	November, 2022
Alison Proctor	Vice President	November, 2022
Shara Watkins	Clerk	November, 2024
Noella Corzo	Trustee	November, 2024
Lisa Warren	Trustee	November, 2024

**Administration**

Diego R. Ochoa.  
Superintendent

David Chambliss  
Assistant Superintendent for Educational Services

Sarah Drinkwater  
Assistant Superintendent for Student Services

Sue Wieser  
Assistant Superintendent for Human Resources

Patrick Gaffney  
Chief Business Official

Blanca Cervantes-Madrigal  
Director of Fiscal Services

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Grade Level	Minutes Requirements	2021 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	n/a	n/a	180	0	In compliance
Grade 1	n/a	n/a	180	0	In compliance
Grade 2	n/a	n/a	180	0	In compliance
Grade 3	n/a	n/a	180	0	In compliance
Grade 4	n/a	n/a	180	0	In compliance
Grade 5	n/a	n/a	180	0	In compliance
Grade 6	n/a	n/a	180	0	In compliance
Grade 7	n/a	n/a	180	0	In compliance
Grade 8	n/a	n/a	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts. However, for fiscal year 2021, districts are only required to offer a minimum number of days based on Education Code Section 46200, chapter 2, part 26. This schedule reports the District's compliance with this Ed. Code Section.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

There were no charter schools sponsored by the District as of June 30, 2021.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	(Budget <sup>1</sup> ) 2022	2021	2020	2019
<b>General Fund</b>				
Revenues and other financial sources	\$ 167,226,800	\$ 170,868,286	\$ 156,621,442	\$ 146,220,795
Expenditures	168,406,130	160,464,790	146,731,098	140,171,357
Other uses and transfers (out)	33,959	35,357	33,937	7,285,191
Total outgo	168,440,089	160,500,147	146,765,035	147,456,548
Change in fund balance	(1,213,289)	10,368,139	9,856,407	(1,235,753)
Prior period adjustments - GASB 84	-	-	-	-
Ending fund balance	\$ 91,267,480	\$ 92,480,769	\$ 82,112,630	\$ 72,256,223
Available reserves <sup>(2)</sup>	\$ 5,070,333	\$ 4,846,743	\$ 8,895,110	\$ 8,895,110
Reserve for economic uncertainties	\$ 5,070,333	\$ 4,846,743	\$ 4,569,694	\$ 8,895,110
Unassigned fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	3.0%	3.0%	6.1%	6.0%
Total long-term liabilities	\$ 675,109,342	\$ 691,801,527	\$ 549,383,351	\$ 540,361,141
Average daily attendance at P-2	10,654	11,154	11,154	11,269

Average daily attendance has decreased by 115 over the last three years.

The district has operated at a deficit in two of the past three years. Total long-term liabilities have increased by \$151,989,927 over the past three years, due to new bond issuances and benefit plan liabilities.

The general fund's fund balance has increased by \$20,224,546 in the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

<sup>1</sup> Budget numbers are based on the first adopted budget of the fiscal year 2021/22.

<sup>2</sup> Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Program Name</b>	<b>Federal Catalog Number</b>	<b>Cluster Name</b>	<b>Pass Through Number</b>	<b>Major Program</b>	<b>Program Expenditures</b>
U. S. DEPARTMENT OF EDUCATION:					
Passed through California Department of Education:					
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010		15438		\$ 92,538
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010		14329	Yes	947,438
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365		14346		458,383
NCLB: Title IV, Part A, Student Support and Academic Enrichment Grants	84.424		15396		5,671
NCLB: Title II, Part A, Teacher Quality	84.367		14341		101,080
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.424C		15517		509,232
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		15536	Yes	790,604
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D		15547		358,816
Passed through County SELPA:					
Individuals with Disabilities Education Act (IDEA):					
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	Spec Ed	13379		2,282,670
Special Ed: IDEA Preschool Grants, Part B, Sec 619	84.173	Spec Ed	13430		77,348
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	Spec Ed	13431		733
Special Education: Early Intervening Services	84.027	Spec Ed	10119		2,106
Special Education Cluster					2,362,857
<b>TOTAL U. S. DEPARTMENT OF EDUCATION:</b>					<b>5,626,619</b>
U. S. DEPARTMENT OF AGRICULTURE:					
Passed through California Department of Education:					
Child Nutrition: School Programs (NSL Sec 11)	10.555	SchoolLnch	13396		2,580,503
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<b>2,580,503</b>
U. S. DEPARTMENT OF TREASURY					
Passed Through California Department of Education					
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019		25516	Yes	4,421,133
<b>TOTAL U. S. DEPARTMENT OF TREASURY</b>					<b>4,421,133</b>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Child Development CRRSA One-Time Stipend	93.575		15555		76,073
Child Development: Federal General (CCTR) and State Preschool (CSPP)	93.596	CCDF	13609		94,529
Passed through California Department of Health Services:					
Medi-Cal Billing Option	93.778	TitleXIX:Medicaid	10013		49,754
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					<b>220,356</b>
<b>TOTAL EXPENDITURES</b>					<b>\$ 12,848,611</b>

Note: There were no pass throughs to subrecipients during the year.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
TO THE AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Building Fund	Capital Facilities Funds	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Retiree Benefit Funds	Retiree Benefit Funds
June 30, 2021 Annual Financial and Budget Report Fund Balances.	\$ 60,233,987	\$ 139,903,133	\$ 4,875,791	\$ 30,690,228	\$ 26,614,922	\$ 25,418,379	\$ 143,344
Adjustments to reconcile audited financials: GASB 54 Fund Consolidations	32,413,558	-	-	-	(6,851,835)	(25,418,379)	(143,344)
June 30, 2021 Audited Financial Statements Fund Balances	<u>\$ 92,647,545</u>	<u>\$ 139,903,133</u>	<u>\$ 4,875,791</u>	<u>\$ 30,690,228</u>	<u>\$ 19,763,087</u>	<u>\$ -</u>	<u>\$ -</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION  
FOR THE YEAR ENDED JUNE 30, 2021**

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**PURPOSE OF SCHEDULES**

**A. Schedule of Instructional Time**

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

**B. Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**C. Schedule of Expenditures of Federal Awards**

*Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance and state requirements. The District has not used the 10 percent de-minimis indirect cost rate as allowed under the Uniform Guidance

**D. Schedule of Charter Schools**

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

**E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

**RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS**

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal and State Awards.

**BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION  
FOR THE YEAR ENDED JUNE 30, 2021**

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The following schedule provides a reconciliation between expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Description	Amount
Federal expenditures as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance:	\$ 12,520,753
Coronavirus Relief Fund (CRF): Learning Loss Mitigation, Resource Code 3220, PCA 25516	117,346
Elementary and Secondary Emergency Relief Fund (ESSER), Resource Code 3210, PCA 15536	<u>210,512</u>
Total Expenditures Schedule of Expenditures of Federal Awards	<u>\$ 12,848,611</u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
San Mateo-Foster City School District  
Foster City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Mateo-Foster City School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise San Mateo-Foster City School District's basic financial statements, and have issued our report thereon dated January 30, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered San Mateo-Foster City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Mateo-Foster City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo-Foster City School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting 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 identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant: see finding 2021-001.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether San Mateo-Foster City School District'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 did not disclose instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **District's Response to Findings**

The District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

January 30, 2022  
Morgan Hill, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

Board of Education  
San Mateo-Foster City School District  
Foster City, California

**Report on Compliance for Each Major Federal Program**

We have audited San Mateo-Foster City School District's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of San Mateo-Foster City School District's major federal programs for the year ended June 30, 2021. San Mateo-Foster City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of San Mateo-Foster City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Mateo-Foster City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the San Mateo-Foster City School District's compliance.



### Opinion on Each Major Federal Program

In our opinion, San Mateo-Foster City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### Report on Internal Control over Compliance

Management of San Mateo-Foster City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Mateo-Foster City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Mateo-Foster City School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

January 30, 2022  
Morgan Hill, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Education  
San Mateo-Foster City School District  
Foster City, California

**Compliance**

We have audited the San Mateo-Foster City School District (the District)’s compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District’s state programs identified below for the year ended June 30, 2021.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State’s audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel.

Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.



In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
California Clean Energy Jobs Act	Yes
<b>After School Education and Safety Program:</b>	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	N/A
Independent Study-Course Based	N/A
<b>Charter Schools:</b>	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A



**Chavan and Associates, LLP**  
Certified Public Accountants

**Opinion**

In our opinion, the San Mateo-Foster City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2021.

*C & A LLP*

January 30, 2022  
Morgan Hill, California

**FINDINGS AND  
RECOMMENDATIONS**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>x</u> Yes    ___ No
Non-compliance material to financial statements noted?	___ Yes <u>x</u> No

**Federal Awards**

Internal control over major programs:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Type of auditor's report issued on compliance over major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes <u>x</u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
Auditee qualified as low risk auditee?	<u>x</u> Yes    ___ No

**State Awards**

Internal control over state programs:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Type of auditor's report issued on compliance over state programs:	<u>Unmodified</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Section I – Financial Statement Findings**

**Finding 2021-001; Capital Assets (30000 Internal Control)**

**Criteria:** As required by Governmental Accounting Standards Board (GASB) Statement No. 34, the cost of capital assets should be depreciated over their estimated useful lives unless they are inexhaustible or work in process. Also, Education Code Section 35168 requires the District to maintain records that properly account for capital assets.

**Condition:** During the audit of the District’s capital assets, we noted deficiencies in the District’s process to maintaining the capital asset listing as it relates to additions and accumulated depreciation.

**Effect:** The District’s capital asset balance may incorrectly include or exclude capital assets as well as incorrectly state the net book value.

**Cause:** In 2018-2019 there was a variance between the District’s stated depreciation of capital assets and the audited depreciation values for these same assets. Due to personnel turnover and the impact of covid on district priorities, a reconciliation of the cause of the variance for 2018-2019 did not occur in 2019-2020. As such, the District hired a third-party asset management company and software to inventor and reconcile its capital assets. The assets were inventoried and the tracking software was implemented during the fiscal year ended 2021-2022. However, the reconciliation between the old asset system and the new one was in progress as of the date this report was issued.

**Recommendation:** We recommend the District verify the current listing of capital assets, as well as ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the District’s capital asset program.

**Corrective Action Plan:** The District agrees with the auditor’s recommendation and will implement policies and procedures during fiscal year 2020-21 to address the causes of the condition(s) noted. The District is working diligently to reconcile the discrepancies between the new and the old asset systems.

**Section II – Federal Award Findings and Questioned Costs**

No findings noted.

**Section III – State Award Findings and Questioned Costs**

No findings noted.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Section I – Financial Statement Findings**

**Finding 2020-001 - Capital Assets**

**Criteria:** As required by Governmental Accounting Standards Board (GASB) Statement No. 34, the cost of capital assets should be depreciated over their estimated useful lives unless they are inexhaustible or work in process. Also, Education Code Section 35168 requires the District to maintain records that properly account for capital assets.

**Condition:** During the audit of the District’s capital assets, we noted deficiencies in the District’s process to maintaining the capital asset listing as it relates to additions and accumulated depreciation.

**Effect:** The District’s capital asset balance may incorrectly include or exclude capital assets as well as incorrectly state the net book value.

**Cause:** In 2018-2019 there was a variance between the District’s stated depreciation of capital assets and the audited depreciation values for these same assets. Due to personnel turnover and the impact of covid on district priorities, a reconciliation of the cause of the variance for 2018-2019 did not occur in 2019-2020. As such, the District was unable to properly update the capital assets listing throughout the year.

**Recommendation:** We recommend the District verify the current listing of capital assets, as well as ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the District’s capital asset program. The District should investigate the need for an asset inventory and valuation to ensure that an up-to-date capital asset listing of all assets of \$5,000 is maintained throughout each fiscal year.

**Corrective Action Plan:** The District agrees with the auditor’s recommendation and will implement policies and procedures during fiscal year 2020-21 to address the causes of the condition(s) noted. The District is already in the process of reviewing its capital asset listing, and will migrate to tracking its capital assets through the financial reporting system.

**Status:** Partially Implemented. See Finding 2021-001

**Section II – Federal Award Findings and Questioned Costs**

No findings noted.

**Section III – State Award Findings and Questioned Costs**

No findings noted.