



SAN MATEO CONSOLIDATED FIRE DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020



**SAN MATEO CONSOLIDATED FIRE DEPARTMENT
FOSTER CITY, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Prepared by:

CITY OF SAN MATEO FINANCE DEPARTMENT

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**San Mateo Consolidated Fire Department
Comprehensive Annual Financial Report
For the year ended June 30, 2020**

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October 9, 2020

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

As of the writing of this letter, the San Mateo Consolidated Fire Department (SMC Fire), the communities which we serve, the nation, and the world are experiencing unprecedented times with the impacts associated with the novel coronavirus pandemic known as COVID-19. Although we continue to implement organizational changes to ensure the protection of our personnel so as to continue to provide quality services to our communities, it is yet to be determined the full impact this pandemic will have on our organization. I am confident, however, that our team will overcome this and other challenges and obstacles put before us.

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the San Mateo Consolidated Fire Department (SMC Fire) for the fiscal year ended June 30, 2020 in conformity with generally accepted accounting principles (GAAP) in the United States and as stipulated in the Joint Power Agreement, audited in accordance with generally accepted auditing standards in the United States by a firm of licensed certified public accountants.

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

Badawi & Associates, CPAs, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on SMC Fire's financial statements for the fiscal year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE ORGANIZATION



Basic Information

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

Since the commencement of operations on January 13, 2019, the San Mateo Consolidated Fire Department has continued to provide the high level of fire, rescue, and emergency medical services to all three communities while also achieving a cost-efficient service delivery model. Over the last nineteen months, the department has embarked on a strategic planning process for the organization. This started in February and March of last year with personnel representing the Fire Action Consensus Team (FACT) – labor, command staff, and administration, participating in a facilitated process, the goal of which was to develop a mission statement and core values of the new organization. One established, personnel developed a strategic plan outline, which included the development of four strategic elements within the organization with associated initiatives, projects, and outcomes for each.

Earlier this year, the organization had two facilitated day-long retreats, one with the executive team and command staff and the other with all officer level personnel within the department. The goals of these retreats were to 1) kick off the new year strongly in our strategic plan and mission/values,

2) begin the process of collaboratively building a new team culture that is aligned with a joint vision of success, and 3) provide the opportunity to seek input and full participation from key personnel within the organization in the strategic planning process. Following solicitation of feedback and direction from both the Fire Board of Directors as well as the public, the strategic plan was adopted at the May 6, 2020 Fire Board meeting.

History

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

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

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

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

Governance

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

Administration

Following 28 years in the Fire Service, Chief John Healy retired and Deputy Fire Chief Ray Iverson assumed the position of Fire Chief on December 27, 2019. Chief Iverson joined the San Mateo Fire Department in 2015 as a Deputy Fire Marshal. In 2017 he was assigned to acting Fire Marshal, and in 2018 was promoted to Deputy Fire Chief. During his tenure, as Deputy Chief, he had managed the day-to-day operation of the Community Risk Reduction Division, overseeing the Bureau of Fire Protection and Life Safety, the Office of Emergency Services (OES) and Fleet & Facilities Management.

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

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

Budget

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

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

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



COMMUNITY PROFILE

City of San Mateo

The City of San Mateo is situated 19 miles south of San Francisco and 30 miles north of San Jose. The City covers an area of 14.6 square miles and includes tidelands from the Bay to the east and coastal mountains to the west and has an estimated population of over 104,000. The City was incorporated in 1894 and was originally chartered in 1922. The current charter was adopted in 1971 and revised in 2002. Since 2002, there have been two other voter-approved amendments to the charter. San Mateo has a Council-Manager form of government. Five Council members serve at-large for four-year terms. The Council selects a Mayor from amongst its members each December for a one-year term. The City Manager is appointed by the Council and serves as chief executive officer responsible for the day-to-day administration of City affairs. The City Council also appoints a City Attorney. There are thirteen Advisory Boards and Commissions, ten of which are appointed by the City Council.

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

City of Belmont/Belmont Fire Protection District

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

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

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

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

Foster City/Estero Municipal Improvement District

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

The City was officially incorporated on April 27, 1971. The newly elected City Council also began to serve as the Board of Directors for the District. The City is a general law city and has a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the City Mayor/District Board President and four other members. There are

five City Council/District Board Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council/Board, for overseeing day-to-day operations of the City/District, and for appointing the heads of the various Departments. The City Council/District Board appoint the City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members. The City Council/District Board is financially accountable for City/District operations and the Successor Agency. The Comprehensive Annual Financial Report includes all funds of the City/District, and the Successor Agency's activities are reported under fiduciary fund type as private purpose trust fund.

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

LONG-TERM FINANCIAL AND STRATEGIC PLANNING AND MAJOR INITIATIVES

Joint Training Agreement

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

Hazardous Materials Emergency Response Services

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

Fire Battalion Chief Services

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

General Fund Long-Term Financial Plan

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

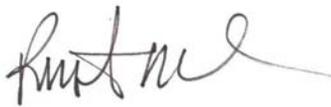
Although the economic impacts of the shelter-in-place order to the member agencies are unknown when this report is prepared, SMC Fire is still in a strong position where all three cities have a proven record of financial sustainability and prudent fiscal practices. Each city is committed to maintain the high level of fire protection services to their communities.

ACKNOWLEDGEMENTS

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

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

Respectfully Submitted,



Ray Iverson
Fire Chief

2020



San Mateo Consolidated Fire Board Members



Joe Goethals
Board Chair



Warren Lieberman
Board Member



Catherine Mahanpour
Board Member

City Council Members

Belmont



Warren Lieberman
Mayor/
Fire Board Representative



Charles Stone
Vice Mayor



Tom McCune
Council Member



Julia Mates
Council Member



Davina Hurt
Council Member

Foster City



Catherine Mahanpour
Mayor/
Fire Board Representative



Sanjay Gehani
Vice Mayor



Richa Awasthi
Council Member



Sam Hindi
Council Member



Jon Froomin
Council Member

San Mateo



Joe Goethals
Mayor/
Fire Board Representative



Eric Rodriguez
Deputy Mayor



Rick Bonilla
Council Member

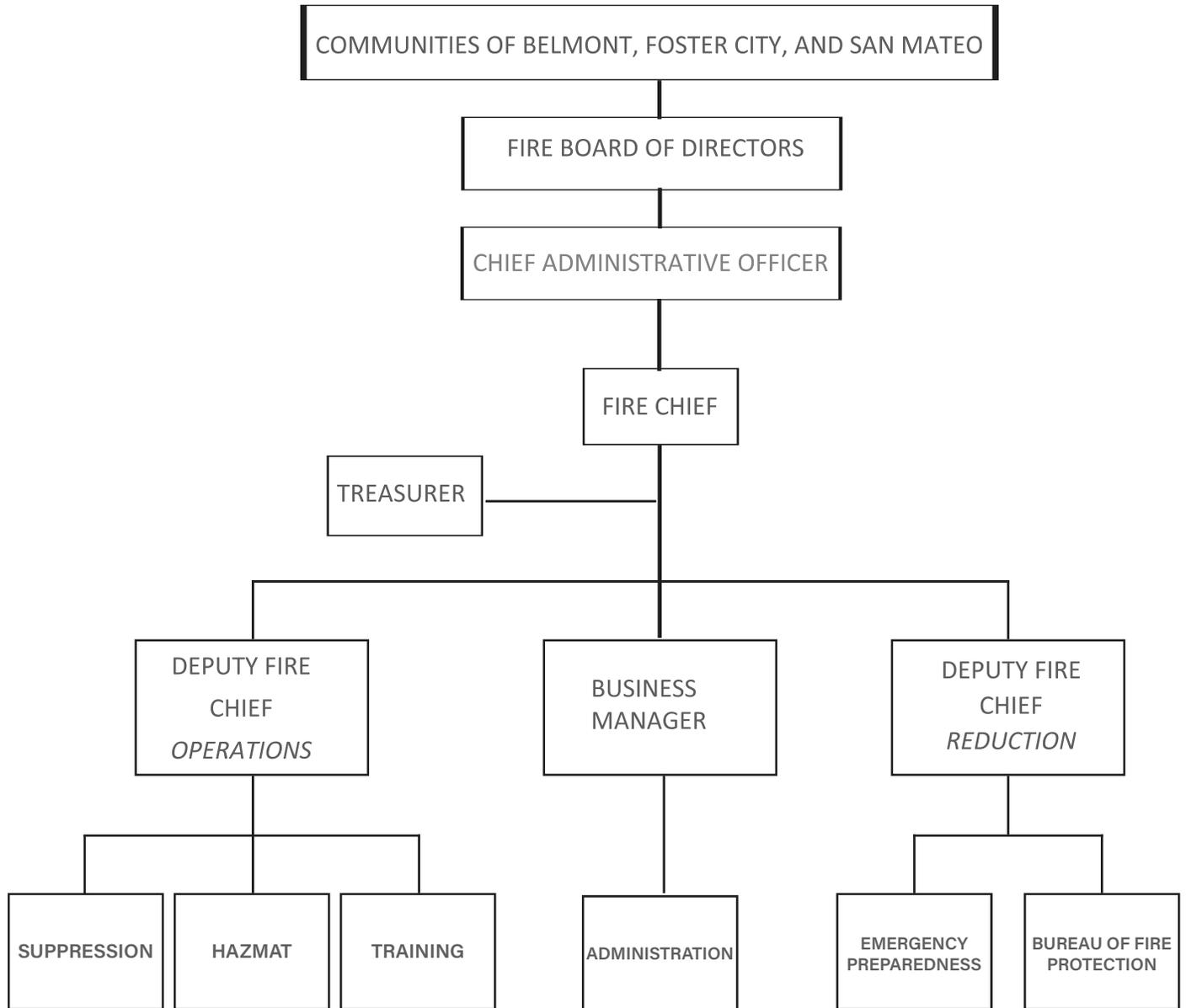


Diane Papan
Council Member



Amourance Lee
Council Member

Organizational Chart



BOARD OF DIRECTORS

Board Chair	Joe Goethals, City of San Mateo
Board Member	Warren Lieberman, City of Belmont
Board Member	Catherine Mahanpour, City of Foster City

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
EXECUTIVE AND COMMAND STAFF

Fire Chief	Ray Iverson
Deputy Fire Chiefs	Kent Thrasher Mike Towns
Fire Marshall	Robert Marshall
Battalion Chiefs:	
A Shift	Matt Turturici
B Shift	Joe Novelli
C Shift	Chuck Goodwin
Administrative Battalion Chief	Tony Blackman
Training Battalion Chief (OPS)	Jeff Thorne
Training Battalion Chief	Robert Cook
Administrative Battalion Chief	Bill Euchner
Business Manager	Matt Lucett
Fleet/Facilities Manager	Saul San Filippo
Emergency Services Manager	Jenelle Masterson
Management Analyst	Nicole Morales
Legal Counsel	William D. Ross

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo Consolidated Fire Department (SMC Fire), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SMC Fire's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

SMC Fire's 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. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of SMC Fire, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SMC Fire's basic financial statements. The introductory section, combining internal service fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the Honorable Chair and Members of the Board
of the San Mateo Consolidated Fire Department
Foster City, California
Page 3

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates
Certified Public Accountants
Berkeley, California
October 8, 2020

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Management of the San Mateo Consolidated Fire Department (SMC Fire) offers readers of the financial statements this narrative overview and analysis of the financial activities of SMC Fire for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, the financial statements, and notes. The focus of the information herein is on the primary government.

FINANCIAL HIGHLIGHTS

- SMC Fire commenced operations on January 13, 2019. As such, the fiscal year ended June 30, 2020 marked SMC Fire's first full fiscal year.
- At the close of the fiscal year, SMC Fire had \$17.1 million in total assets, an increase of \$2.2 million compared to the prior fiscal year, largely due to the required contributions from its member agencies, the cities of Belmont, Foster City, and San Mateo. Assets primarily consisted of \$11.0 million in cash and cash equivalents, and \$5.4 million in net depreciable capital assets.
- SMC Fire had \$4.9 million in total liabilities at the end of the fiscal year, an increase of \$1.2 million or 32% compared to the prior year. The majority of the increase was attributable to the increase in compensated absences, which grew to a total of \$2.4 million (\$0.8 million of which was projected to be due within one year), compared to \$1.8 million in the prior fiscal year.
- SMC Fire's total net position was \$18.1 million as of June 30, 2020, of which \$5.4 million was representative of the net investment in capital assets, and \$12.7 million in unrestricted net position. This marked an increase of \$5.3 million or 41% compared to the prior year as a result of the full year of operations and contributions from the member agencies.
- SMC Fire accounted for \$38.8 million in expenses, an increase of \$21.4 million or 123%. The increase is predominately due to fiscal year ended June 30, 2020 being SMC Fire's first full fiscal year. SMC Fire's commencement of operations was on January 13, 2019. As such, the prior fiscal year included less than six months of expenses. Personnel expenses represented over 88% of total expenses for SMC Fire.
- SMC Fire's Program Revenues totaled \$41.8 million, an increase of \$17.5 million or 72%. Again, the primary reason behind the increase in revenues was due to this being SMC Fire's first full fiscal year. SMC Fire's primary revenue source comes from the operating contributions from the member agencies, which contributed \$37.4 million, which represented 90% of Total Program Revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities reports how SMC Fire's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., loan receivables, and earned but unused compensated leaves).

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

FUND FINANCIAL STATEMENTS

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

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

The governmental funds comprise two individual funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances of the General Fund and Fire Prevention Fund, each of which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 25 - 28 of this report.

SMC Fire adopts an annual appropriated budget for the General Fund and the Fire Prevention Fund. Budgetary comparison schedules are included in the Required Supplementary Information section, beginning on page 58, and have been provided to demonstrate compliance with these budgets in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements combine internal service funds for presentation purposes. Individual fund data for the all internal service funds is provided in the form of combining statements in the Required Supplementary Information section of this report. The basic proprietary fund financial statements can be found on pages 29 – 31 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35 - 54 of this report.

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the SMC Fire's budgetary comparison schedules for all major governmental funds. The combining statements supplementary information referred to earlier in connection with internal services funds are also presented in this section. Required supplementary information can be found on pages 57 - 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial performance. At the close of the fiscal year, SMC Fire's ending total net position was \$18.1 million, which reflected the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources. Of the total net position, \$5.4 million represented SMC Fire's net investment in capital assets, primarily fire vehicles and equipment, less any related debt used, if any, to acquire those assets that is still outstanding. SMC Fire uses these capital assets to provide services to the communities of the three member agencies – Belmont, Foster City, and San Mateo; consequently, these assets are not available for future spending. Although SMC Fire's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of SMC Fire's ending total net position of \$12.7 million is unrestricted, in that the funds are not restricted for a particular use and available to be appropriated by the SMC Fire Board.

Tables on the following pages present a summary of SMC Fire's net position as of June 30, 2020.

STATEMENT OF NET POSITION

(Amounts in millions)

	Total	
	Governmental Activities	
	19-20	18-19
Current and other assets	\$ 11.7	\$ 9.1
Capital assets	5.4	5.8
Total assets	17.1	14.9
Deferred outflows - pension related amounts	5.9	1.7
Total deferred outflows of resources	5.9	1.7
Current liabilities	2.7	2.1
Non-current liabilities	2.3	1.6
Total liabilities	4.9	3.7
Net position:		
Net investment in capital assets	5.4	5.8
Restricted	-	-
Unrestricted	12.7	7.0
Total net position	\$ 18.1	\$ 12.8

Totals may not add up due to rounding.

STATEMENT OF ACTIVITIES

(Amounts in millions)

	Total	
	Governmental Activities	
	19-20	18-19
Revenues:		
Program revenues:		
Charges for services	\$ 2.2	\$ 1.4
Operating contributions	37.4	20.2
Capital contributions	2.1	2.6
Total program revenues	41.8	24.3
General revenues:		
Other revenues	2.0	1.1
Interest Income	0.3	0.2
Total general revenues	2.3	1.2
Total revenues	44.0	25.5
Expenses:		
Personnel	34.3	11.2
Materials and services	3.2	5.5
Rents and leases	0.2	0.1
Miscellaneous	0.6	0.2
Depreciation	0.6	0.3
Total expenses	38.8	17.4
Change in net position	5.3	8.1
Net position - Beginning of year	12.8	4.7
Net position - End of year	\$ 18.1	\$ 12.8

Totals may not add up due to rounding.

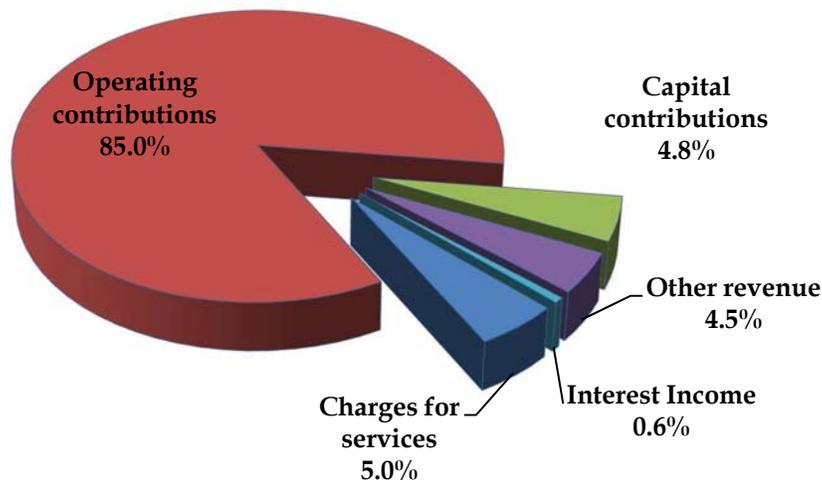
GOVERNMENTAL ACTIVITIES

Governmental activities increased SMC Fire's total net position by \$5.3 million. Key elements contributing to the increase are described below.

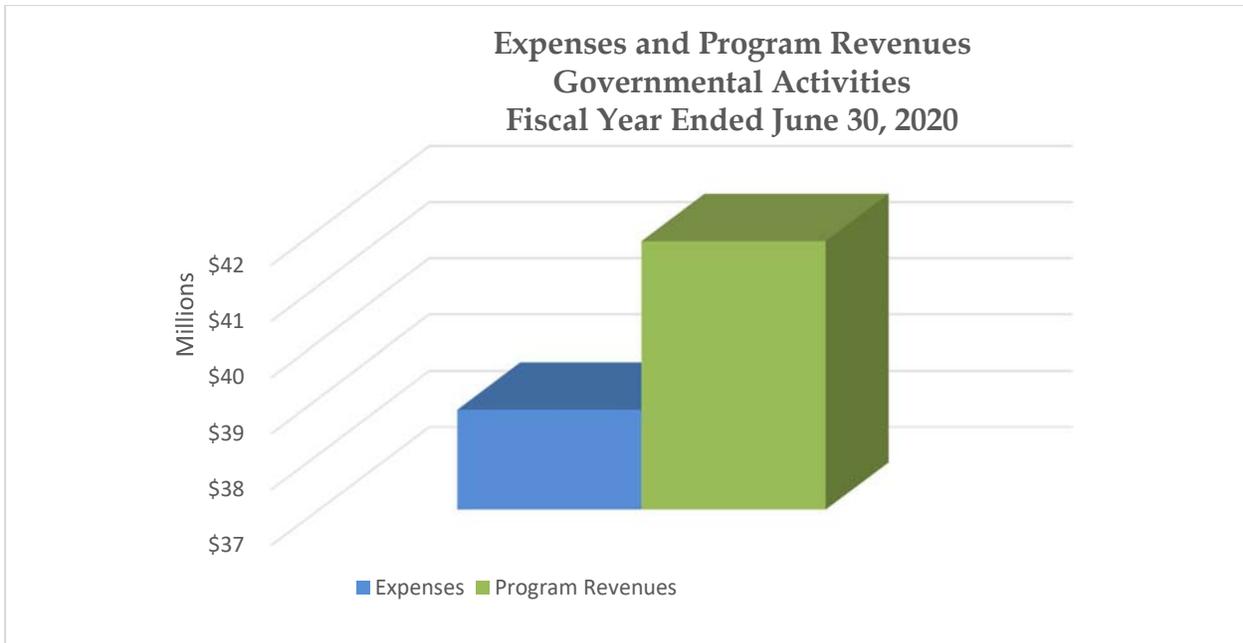
- Overall, total revenues from governmental activities were \$44.0 million, largely due to \$37.4 million in contributions from member agencies for their proportional share of SMC Fire's operating costs, which excludes the activities of the Fire Prevention Fund that is administered on a cost recovery basis. SMC Fire's operating costs are split amongst the member agencies as follows: City of Belmont - 20%; City of Foster City - 20%; City of San Mateo - 60%.
- SMC Fire's total expenses were \$38.8 million, including \$34.3 million in personnel costs. As noted earlier, the fiscal year ended June 30, 2020 marked SMC Fire's first full fiscal year. This is the primary reason for the \$21.4 million increase in expenses, as the prior fiscal year accounted for less than six months of operations.

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

**Revenue by Sources
Governmental Activities
Fiscal Year Ended June 30, 2020**



Total Governmental Activities Revenues: \$44.0 million



The cost of all governmental activities for the fiscal year ended June 30, 2020 was \$38.8 million. Some of the costs were paid by those directly benefiting from the programs (\$2.2 million), by contributions from the member agencies (\$37.4 million) or capital grants and contributions (\$2.1 million). SMC Fire paid for the remaining “public benefit” portion of governmental activities with \$2.3 million in general revenues, the majority of which reflected interagency reimbursements for training and staffing.

FINANCIAL ANALYSIS OF THE SMC FIRE FUNDS

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

GOVERNMENTAL FUNDS

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

As of June 30, 2020, the SMC Fire’s governmental funds reported a combined ending fund balance of \$2.5 million, of which the General Fund accounted for \$1.4 million, and the remaining fund balance attributable to the Fire Prevention Fund. Of the total fund balances, \$1.3 million is unassigned fund balance, which is available for spending at SMC Fire’s discretion.

The General Fund is the primary operating fund of SMC Fire. The unassigned fund balance of the General Fund was \$1.3 million. As a measure of liquidity, the unassigned fund balance can be compared to total fund expenditures. Unassigned fund balance represents 3.4% of total General Fund expenditures of \$38.8 million.

Addressing long-term financial sustainability is an ongoing priority of the SMC Fire Board, and as such, SMC Fire's reserve policy target for its General Fund is to have three months or 25% of the annual operating expenditure budget. This will ensure service stability in SMC Fire without imposing a substantial impact on the member agencies in the event of significant financial emergencies, such as swings in economic cycles and natural disasters. Achievement of the reserve policy will be gradual rather than immediate to avoid significant increases in member agencies' contributions. Funds will be set aside when, in any year, actual expenditures come in lower than actual revenues, as was the case in the fiscal year ended June 30, 2020.

In comparison to the prior fiscal year, SMC Fire's General Fund revenues for the fiscal year ended June 30, 2020 increased \$21.7 million or 124%, and its General Fund expenditures increased \$21.9 million or 131%. The year over year increase is largely due to the fiscal year ended June 30, 2020 being SMC Fire's first full fiscal year. The prior fiscal year was less than six months in duration, as SMC Fire commenced operations on January 13, 2019.

The Fire Prevention Fund (Fire Protection and Life Safety) was established to account for the activities of SMC Fire's Bureau of Fire Protection and Life Safety, which enforces state and local fire codes and standards, and conducts fire investigations. Total revenues for the fiscal year were \$2.3 million, of which SMC Fire's service charges of \$2.2 million represented the majority.

Service charge revenues increased by 59% compared to the prior fiscal year. However, the prior fiscal year accounted for less than six months of activity, and service charge revenues were impacted by COVID-19 and the shelter-in-place order in the fiscal year ended June 30, 2020. As such, the Fire Prevention Fund ended the fiscal year with \$1.2 million in fund balance, a \$1.6 million reduction. Prospectively, SMC Fire has taken steps to address the impact of COVID-19, including conducting a comprehensive fee study to ensure it is collecting the full cost of service, staffing reductions and employee concessions.

PROPRIETARY FUNDS

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

SMC Fire's total internal service funds' net position was \$7.5 million as of June 30, 2020. The Vehicle & Equipment Replacement Fund's net position comprised 76.1% of the total internal service funds' net position, followed by the Benefit and Dental Fund, which comprised 16.7% of the total.

The majority of the change in net position for the Vehicle & Equipment Replacement Fund reflects \$2.1 million in contributions from the member agencies for their respective collected replacement funds for the second contribution of a three year period. The finance directors of each respective member agency reviewed the fund's status and determined that the contribution in year three (fiscal year 2020-21) will not be necessary.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues were \$0.6 million more than the final budget, which largely reflected \$0.4 million in reimbursements from member agencies for workers' compensation costs for injuries that were incurred by employees during their tenure with the member agencies when each had their own fire department. The legacy costs for liabilities for each member agency, including workers' compensation and pension, remain with each member agency.

General Fund actual expenditures were \$0.1 million less than the final budget, with personnel costs being over budget by \$0.5 million, which reflects the Board's authorization to overhire up to four firefighters in anticipation of vacancies. However, this was offset by \$0.6 million in budgetary savings for materials and services as a result of costs for building maintenance, physical fitness equipment, legal services, and information technology services costing less than anticipated.

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

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

	Original Budget	Final Budget	Actual Results	Variance from Final Budget Favorable (Unfavorable)
Beginning fund balance	-	-	0.9	0.9
Resources:				
Revenues	38.4	38.7	39.3	0.6
Total resources	38.4	38.7	39.3	0.6
Charges to appropriations				
Expenditures	38.4	38.7	38.6	0.1
Transfer out		0.2	0.2	-
Total charges	38.4	39.0	38.8	0.1
Net change in fund balance	-	(0.2)	0.5	0.7
Encumbrance adjustments			(0.0)	
Ending fund balance	\$ -	\$ (0.2)	\$ 1.3	\$ 1.6

Totals may not add up due to rounding.

Given the above results, General Fund revenues exceeded expenditures by \$0.5 million for the current fiscal year. At the end of the fiscal year, the total General Fund balance was \$1.3 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

CAPITAL ASSETS

SMC Fire invested \$228 thousand in capital assets for the fiscal year ended June 30, 2020. This investment in capital assets primarily reflected the purchase of four vehicles and a water rescue boat. Additional information on SMC Fire's capital assets can be found in Note 4 on page 45 of this report.

CAPITAL ASSETS

(Amounts in millions)

	Total	
	Governmental Activities	
	19-20	18-19
Non-depreciable assets:		
Equipment in progress	\$ 0.0	\$ 0.0
Total non-depreciable assets	<u>0.0</u>	<u>0.0</u>
Depreciable assets:		
Machinery and equipment	6.3	6.1
Less: accumulated depreciation	(0.9)	(0.3)
Total depreciable assets (net)	<u>5.4</u>	<u>5.8</u>
Total capital assets	<u><u>\$ 5.4</u></u>	<u><u>\$ 5.8</u></u>

LONG-TERM DEBT

At the end of the current fiscal year, SMC Fire had total long-term debt outstanding of \$2.4 million, which reflects the amount due for compensated absences; \$0.8 million of which was projected to be due within one year, while the remaining \$1.6 million is due in more than one year.

LONG TERM LIABILITIES

Compensated Leaves Payable

(Amounts in millions)

	Total	
	Governmental Activities	
	19-20	18-19
Compensated leaves payable	\$ 2.40	\$ 1.80
Total outstanding debt	<u><u>\$ 2.40</u></u>	<u><u>\$ 1.80</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In comparison to the same period in the prior year, sales tax revenues for Foster City and San Mateo declined by 28% and 2% respectively for the calendar quarter ended June 30, 2020, which was the first full quarter of sales tax that was impacted by COVID-19.

With respect to transient occupancy tax revenues (TOT), since the onset of the shelter-in-place order due to COVID-19 in March 2020, San Mateo's TOT has been roughly 10% of what it had collected in the same period compared to the prior year, while Foster City's TOT revenues from April through June 2020 were 8% compared to the prior year.

As such, SMC Fire has taken immediate action to provide financial relief to its member agencies by identifying \$1.0 million in operating savings for the fiscal year 2020-21.

Despite the global pandemic, the value of and demand for real estate in the service area of SMC Fire remains high. The median sales price for the quarter ended June 30, 2020 for a single family home in the service area was \$1.9 million for Belmont and Foster City, and \$1.6 million for San Mateo. In addition, the average number of days on the market was 15 days for Belmont, 18 days for Foster City, and 23 days for San Mateo.

The service area of SMC Fire is part of the San Francisco-Redwood City-South San Francisco Metropolitan Area. While COVID-19 has also had unparalleled effects on unemployment, the area continues to lead the state and the country in unemployment metrics. While unemployment peaked in April 2020 due to COVID-19 at 10.1%, preliminary data from the State of California's Employment Development Department indicate the August 2020 unemployment rate has dropped to 6.5% in the City of San Mateo. The same trend is occurring in Belmont and Foster City, with their respective August 2020 unemployment rates at 5.6% and 5.3%.

Overall, the adopted 2020-21 General Fund budget reflects a balanced budget, with revenues and expenditures of \$40.7 million each. The General Fund's increase in fund balance from \$0.9 million to \$1.3 million at the end of fiscal year 2019-20 illustrates SMC Fire's strategy to gradually build up its reserves to meet its policy for three months of budgeted operating expenditures. This reserve is just one example of SMC Fire's fiscal discipline that has assisted in achieving its financial objectives.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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San Mateo Consolidated Fire Department
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 11,037,014
Accounts receivable	664,664
Prepaid expenses	17,097
Capital assets:	
Depreciable, net	5,386,986
Total capital assets	<u>5,386,986</u>
Total assets	<u>17,105,761</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows - OPEB	60,048
Deferred outflows - pension	5,878,945
Total deferred outflows of resources	<u>5,938,993</u>
LIABILITIES	
Accounts payable	343,857
Accrued salaries and wages payable	1,552,972
Deposits payable	26,513
Long-term liabilities:	
Due within one year:	
Compensated absences	769,144
Due in more than one year:	
Compensated absences	1,634,431
Total OPEB liability	<u>618,747</u>
Total liabilities	<u>4,945,664</u>
NET POSITION	
Net investment in capital assets	5,386,986
Unrestricted	12,712,104
Total net position	<u>\$ 18,099,090</u>

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

San Mateo Consolidated Fire Department
Statement of Activities
For the year ended June 30, 2020

	<u>Governmental Activities</u>
EXPENSES	
Personnel	\$ 34,264,066
Materials and services	3,185,245
Rents and leases	151,263
Miscellaneous	569,274
Depreciation	617,450
Total Expenses	<u>38,787,298</u>
PROGRAM REVENUES	
Charges for services	2,217,340
Operating contributions	37,436,536
Capital contributions	2,130,039
Total Program Revenues	<u>41,783,915</u>
NET PROGRAM REVENUES	2,996,617
GENERAL REVENUES	
Other revenues	1,986,200
Investment income	276,649
Total General Revenues	<u>2,262,849</u>
Change in Net Position	5,259,466
NET POSITION - BEGINNING	<u>12,839,624</u>
NET POSITION - ENDING	<u>\$ 18,099,090</u>

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

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

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San Mateo Consolidated Fire Department
Balance Sheet
Governmental Funds
June 30, 2020

	(Major) General Fund	(Major) Special Revenue - Fire Prevention Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,858,908	\$ 891,580	\$ 3,750,488
Accounts receivable	208,244	404,607	612,851
Interest receivable	51,813	-	51,813
Prepaid expenses	17,097	-	17,097
Total assets	\$ 3,136,062	\$ 1,296,187	\$ 4,432,249
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 226,046	\$ 106,278	\$ 332,324
Salaries & wages payable	1,552,972	-	1,552,972
Deposits payable	-	26,513	26,513
Total liabilities	1,779,018	132,791	1,911,809
Fund Balances:			
Nonspendable	17,097	-	17,097
Committed	-	1,163,396	1,163,396
Assigned	100	-	100
Unassigned	1,339,847	-	1,339,847
Total fund balances	1,357,044	1,163,396	2,520,440
Total liabilities and fund balances	\$ 3,136,062	\$ 1,296,187	\$ 4,432,249

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

San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Fund Balances of Governmental Funds	\$ 2,520,440
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,143,097
In the Government-Wide Financial Statements, employer contributions made subsequent to the measurement date are deferred and applied to the net pension liability, and certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:	
Deferred outflows of resources - OPEB	60,048
Deferred outflows of resources - pension	5,878,945
Internal Service Funds - This is the net position of the total internal service funds, which are combined with governmental funds in the Statement of Net Position.	7,518,882
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Compensated absences - due within one year	(769,144)
Compensated absences - due in more than one year	(1,634,431)
Total OPEB Liability	<u>(618,747)</u>
Net Position of Governmental Activities	<u><u>\$ 18,099,090</u></u>

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

San Mateo Consolidated Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	General Fund	Special Revenue - Fire Prevention Fund	Total Governmental Funds
REVENUES:			
Intergovernmental:			
Contributions from Belmont	\$ 7,487,307	\$ -	\$ 7,487,307
Contributions from Foster City	7,487,307	-	7,487,307
Contributions from San Mateo	22,461,922	-	22,461,922
Grants and other intergovernmental	1,295,899	-	1,295,899
Charges for services	4,910	2,212,430	2,217,340
Other revenues	418,646	32,880	451,526
Interest income	145,453	42,067	187,520
Total revenues	39,301,444	2,287,377	41,588,821
EXPENDITURES:			
Current:			
Personnel costs	34,322,812	2,930,642	37,253,454
Materials and services	3,182,745	228,388	3,411,133
Rents and Leases	-	151,263	151,263
Miscellaneous	-	569,274	569,274
Capital outlay	1,071,744	28,256	1,100,000
Total expenditures	38,577,301	3,907,823	42,485,124
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	724,143	(1,620,446)	(896,303)
OTHER FINANCING SOURCES (USES):			
Transfers out	(230,000)	-	(230,000)
Total other financing sources (uses)	(230,000)	-	(230,000)
Net change in fund balances	494,143	(1,620,446)	(1,126,303)
BEGINNING FUND BALANCES	862,901	2,783,842	3,646,743
ENDING FUND BALANCES	\$ 1,357,044	\$ 1,163,396	\$ 2,520,440

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

San Mateo Consolidated Fire Department
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the year ended June 30, 2020

Net Change in Funds Balances of Governmental Funds	\$ (1,126,303)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds, net of internal service funds' amount of \$26,915.	(590,535)
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets will be allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period, net of internal services funds' amount of \$143,688.	65,991
Transfers of capital assets from governmental funds to internal service funds are not reported in the governmental funds.	(36,882)
Internal Service Funds - This is the change in net position of the total internal service funds, which are combined with governmental funds in the Statement of Activities.	3,957,807
Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	4,153,862
OPEB expense are recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(558,699)
Accrued compensated leave payable is an expenditure on the Statement of Activities, but does not use current financial resources so is not on the fund financial statements.	(605,775)
Change in Net Position of Governmental Activities	\$ 5,259,466

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

San Mateo Consolidated Fire Department
Statement of Net Position
Proprietary Funds
June 30, 2020

	Total Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,286,526
Total current assets	<u>7,286,526</u>
Noncurrent assets:	
Capital assets net of depreciation	<u>243,889</u>
Total noncurrent assets	<u>243,889</u>
Total assets	<u>7,530,415</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>11,533</u>
Total current liabilities	<u>11,533</u>
Total liabilities	<u>11,533</u>
NET POSITION	
Investment in capital assets	243,889
Unrestricted	<u>7,274,993</u>
Total net position	<u>\$ 7,518,882</u>

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

San Mateo Consolidated Fire Department
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2020

	Total Internal Service Funds
REVENUES:	
Charges for services	\$ 11,608,444
Other revenues	238,775
Total operating revenues	<u>11,847,219</u>
OPERATING EXPENSES:	
Materials and services	10,348,547
Depreciation	26,915
Total operating expenses	<u>10,375,462</u>
OPERATING INCOME	<u>1,471,757</u>
NONOPERATING REVENUES:	
Interest income	89,129
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,560,886
CONTRIBUTIONS AND TRANSFERS:	
Contributions from Belmont	335,541
Contributions from Foster City	497,339
Contributions from San Mateo	1,297,159
Capital contributions	36,882
Transfers in	230,000
Total contributions and transfers	<u>2,396,921</u>
Change in net position	3,957,807
Net Position - Beginning	<u>3,561,075</u>
Net Position - Ending	<u><u>\$ 7,518,882</u></u>

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

San Mateo Consolidated Fire Department
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2020

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts for interfund services provided	\$ 11,608,444
Insurance reimbursement	238,775
Payment to vendors	(10,367,948)
Net cash provided by (used in) operating activities	1,479,271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	230,000
Net cash provided by (used in) noncapital financing activities	230,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Contributions from other agencies	2,130,039
Acquisition and construction of capital assets	(143,688)
Net cash provided by (used in) capital financing activities	1,986,351
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	89,129
Net cash provided by (used in) investing activities	89,129
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,784,751
Cash and cash equivalents - beginning	3,501,775
Cash and cash equivalents - ending	\$ 7,286,526
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income (loss)	\$ 1,471,757
Depreciation expense	26,915
Increase (decrease) in accounts payable	(19,401)
Net cash and cash equivalents provided by (used in) operating activities	\$ 1,479,271
NONCASH ITEMS:	
Capital contributions	\$ 36,882

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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San Mateo Consolidated Fire Department

Notes to Basic Financial Statements

For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

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

B. *Basis of Accounting and Measurement Focus*

The accounts of SMC Fire are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental 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.

Government-wide Financial Statements

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of SMC Fire's assets, deferred inflows/outflows of resources, and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements include a Statement of Net Position and a Statement of Activities. The financial statements report information on all of the activities of the San Mateo Consolidated Fire Department. All activities are categorized as *governmental activities* as they are attributable to services for structural and wild land fire suppression, response to hazardous materials incidents, search and rescue, vehicle extrication and other emergency services supported largely by contributions from the cities' general fund revenues.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-wide Financial Statements, Continued

The statement of activities demonstrates the degree to which the expenses are offset by program revenues that include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Other items not properly included among program revenues are reported as *general revenues*.

Governmental Fund Financial Statements

Separate financial statements are provided for governmental funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recorded when received in cash, except that revenues subject to accrual (generally received 45 to 90 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except compensated absences-related expenditures are recorded only when payment is due.

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

SMC Fire reports the following funds as major governmental funds:

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

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

Proprietary Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenue, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Proprietary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

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

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

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

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

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

SMC Fire follows Governmental Accounting Standards Board (GASB) in accounting the activities of the Internal Service Funds. The effect of the interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is SMC Fire's policy to use restricted resources first.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Cash Equivalents

SMC Fire pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements.

SMC Fire participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rate.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by SMC Fire and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For the purpose of the statement of cash flows, SMC Fire considers all pooled cash and investments (consisting of cash and investments) held by SMC Fire as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds.

D. Prepaid items

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

E. Capital Assets and Depreciation

Capital assets which include machinery and equipment are reported in the government-wide and proprietary fund financial statements. Capital assets are defined by SMC Fire as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one (1) year. As stipulated in the JPA agreement, fire stations remain the assets of the individual member agencies.

Machinery and equipment are depreciated using the straight-line method over an estimated useful life of 2 to 15 years.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position (balance sheet) will sometimes report 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report 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 so will not be recognized as an inflow of resources (revenue) until that time.

G. *Net Position*

In Government-Wide Financial Statements, net position is categorized as follows:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

H. *Fund Balances*

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

Nonspendable Fund Balances - Items that cannot be spent because they are either (a) not in spendable form, such as prepaid items and inventories, or (b) items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

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

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Fund Balances, Continued

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

Assigned Fund Balances - Assigned fund balances encompass the portion of fund balance reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making. The Fire Board is considered the highest authority for SMC Fire. A Board resolution is required to have fund balance assigned.

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

J. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of SMC Fire's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

K. Compensated Leave Payable

SMC Fire permits employees to accumulate earned but unused vacation up to a certain amount depending on bargaining units. Sick leave credit is vested in varying amounts depending on bargaining units and groups. Both are accrued when incurred and unused vacation hours are recorded as current and noncurrent liabilities and as expense on the government-wide financial statements.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. 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 SMC Fire’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

M. Use of Estimates

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

N. New Pronouncements

In fiscal year 2020, SMC Fire did not adopt any new GASB statements.

2. CASH AND INVESTMENTS

SMC Fire maintains a cash and investment pool for all funds. Cash and investments held at June 30, 2020 were \$11,037,014.

A. Summary of Cash and Investments

Cash and investments as of June 30, 2020 consisted of the following:

Cash on hand	\$ 100
Deposits with financial institution	440,064
Total cash on hand and deposits	<u>440,164</u>
Local Agency Investment Fund	<u>10,596,850</u>
Total investments	<u>10,596,850</u>
Total cash and investments	<u><u>\$ 11,037,014</u></u>

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

B. Deposits

The carrying amount of SMC Fire’s cash deposit was \$440,064 at June 30, 2020. Bank balances before reconciling items were a positive amount of \$427,480 at June 30, 2020. SMC Fire’s cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institution in SMC Fire’s name.

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure SMC Fire’s cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in SMC Fire’s name.

The fair value of pledged securities must equal at least 110% of SMC Fire’s cash deposits. California law also allows institutions to secure SMC Fire’s deposits by pledging first trust deed mortgage notes having a value of 150% of SMC Fire’s total cash deposits.

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

C. Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities issued by the U.S. Treasury	5 years	No limit	No limit
U.S. Agency Securities and Instrumentalies	5 years	70%	40% of portfolio
Local Agency Investment Fund	N/A	No limit	\$75,000,000

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest income	\$ 237,751
Unrealized gain in changes in fair value of investments	38,898
Total investment income	\$ 276,649

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

SMC Fire’s portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio’s change in value. These portfolio value changes are unrealized unless sold. Consequently, SMC Fire’s investments are carried at fair value.

SMC Fire is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. SMC Fire’s investments with LAIF at June 30, 2020, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2020, SMC Fire had \$10,596,850 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of SMC Fire’s portfolio to three years or less. The maturity of SMC Fire’s investments are the following:

	<u>Maturity</u>
	<u>3 months or less</u>
Local Agency Investment Fund	<u>\$ 10,596,850</u>

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Liquidity Standard: As a means of maintaining liquidity, SMC Fire's investment policy limits are as follows:

<u>Maturity</u>	<u>% of Portfolio</u>
Up to six months	25% (Minimum)
Six months to five years	75% (Maximum)

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit ratings agencies, such as Moody's and Standard & Poor's rate securities and notes. According to SMC Fire's investment policy, the total portfolio may consist of only US Government, its agencies and instrumentalities, and LAIF. SMC Fire did not have any investments other than LAIF during the fiscal year ended June 30, 2020. LAIF is not rated.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, SMC Fire will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

E. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. SMC Fire's investment in LAIF was not subject to levelling disclosure.

3. INTERFUND TRANSFERS

During the fiscal year ended June 30, 2020, SMC Fire transferred \$230,000 from the General Fund to the Workers' Compensation and Comprehensive Liability Internal Service Fund to provide funding for premiums payable to insurance providers.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of changes in the capital assets for the governmental activities during the fiscal year:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Non-depreciable assets:				
Construction in progress	\$ 18,763	\$ -	\$ (18,763)	\$ -
Total non-depreciable assets	18,763	-	(18,763)	-
Depreciable assets:				
Machinery and equipment	6,077,082	228,442	-	6,305,524
	6,077,082	228,442	-	6,305,524
Less accumulated depreciation:				
Machinery and equipment	301,088	617,450	-	918,538
Total accumulated depreciation	301,088	617,450	-	918,538
Total depreciable assets, net	5,775,994	(389,008)	-	5,386,986
Total capital assets	\$ 5,794,757	\$ (389,008)	\$ (18,763)	\$ 5,386,986

Depreciation expense for the year ended June 30, 2020 was \$617,450.

B. Governmental Fund Financial Statements

The governmental fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

5. LONG-TERM LIABILITIES

A. Compensated Leaves Payable

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

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. LONG-TERM LIABILITIES, Continued

A. Compensated Leaves Payable, Continued

SMC Fire accrues the liability for compensated leave as it is earned by employees. The amount of compensated leaves payable outstanding was \$2,403,575 as of June 30, 2020.

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due Within One year	Amount Due in More Than One Year
Governmental Activities:						
Compensated Leave Payable	\$ 1,797,800	\$ 1,809,282	\$ (1,203,507)	\$ 2,403,575	\$ 769,144	\$ 1,634,431

The amount due within one year of \$769,144 represents the estimated amount for anticipated retirees. SMC Fire primarily uses the General Fund to liquidate the liability for compensated absences for governmental funds.

6. CLASSIFICATION OF FUND BALANCES

In the fund financial statements, fund balances are classified in the following categories:

	Major Governmental Funds		Total Government
	General	Fire Prevention Special Revenue	
Fund Balances			
Nonspendable fund balance for:			
Prepays and Supplies	\$ 17,097	\$ -	\$ 17,097
Total Nonrespendable fund balance	17,097	-	17,097
Committed fund balance for:			
Fire Prevention Inspection and Other	-	1,163,396	1,163,396
Total Committed fund balance	-	1,163,396	1,163,396
Assigned fund balance for:			
Other Purposes	100	-	100
Total Assigned fund balance	100	-	100
Unassigned fund balance for:			
Other Purposes	1,339,847	-	1,339,847
Total Unassigned fund balance	1,339,847	-	1,339,847
Total Fund Balances	\$ 1,357,044	\$ 1,163,396	\$ 2,520,440

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

7. RISK MANAGEMENT

A. Coverage

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

B. Claims Activity

SMC Fire's claims activity is recorded in its Worker's Compensation and General Liability Internal Service Funds. Estimated liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims during the fiscal year ended June 20, 2020 were covered by the insurance policies.

8. EMPLOYEE RETIREMENT PLAN

A. General Information about the Pension Plan

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

B. Benefits Provided

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

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. EMPLOYEE RETIREMENT PLAN, Continued

B. Benefits Provided, Continued

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

For transferred employees from member agencies

	<u>Classic Misc - San Mateo Tier 1</u>	<u>Classic Misc - San Mateo Tier 2</u>	<u>Classic Safety - Belmont Tier 1</u>	<u>Classic Safety - Belmont Tier 2</u>
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Earliest retirement age	50	50	50	50
Benefit factor for each year of service as a % of annual salary	2% at age 55	2% at age 55	3% at age 55	2% at age 50
Required employee contribution rates	7%	7%	9%	9%
Required employer contribution rates	10.221%	9.680%	18.928%	16.636%
	<u>Classic Safety - Foster City Tier 1</u>	<u>Classic Safety - San Mateo Tier 1</u>	<u>Classic Safety - San Mateo Tier 2</u>	
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	
Benefit payments	monthly for life	monthly for life	monthly for life	
Earliest retirement age	50	50	50	
Benefit factor for each year of service as a % of annual salary	3% at age 50	3% at age 50	3% at age 55	
Required employee contribution rates	9%	9%	9%	
Required employer contribution rates	20.707%	21.927%	18.928%	

For new employees hired after January 13, 2019

	<u>Classic Misc</u>	<u>PEPRA - Misc</u>	<u>Classic Safety</u>	<u>PEPRA - Safety</u>
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Earliest retirement age	52	52	50	50
Benefit factor for each year of service as a % of annual salary	2% at age 62	2% at age 62	2.7% at age 57	2.7% at age 57
Required employee contribution rates	6.75%	6.75%	12%	12%
Required employer contribution rates	6.985%	6.985%	13.034%	13.034%

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

8. EMPLOYEE RETIREMENT PLAN, Continued

B. Benefits Provided, Continued

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

C. Pension Liabilities and Deferred Outflows/Inflows of Resources Related to Pension

SMC Fire's net pension liability for the Plan is to be measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. SMC Fire did not report a proportionate share of the net pension liability as of June 30, 2020, because SMC Fire did not exist as of the valuation date and hence was not included in the Plan's total net pension liability.

At June 30, 2020, SMC Fire reported \$5,878,945 as deferred outflows of resources related to employer contributions made to the plan, and to be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

B. Employees Covered

As of the June 30, 2019 actuarial valuation, there were 152 current employees (active members) covered by the benefit terms under the Plan.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

C. Contributions

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

D. Total OPEB Liability

SMC Fire’s total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Contribution Policy	No pre-funding
Discount Rate	3.50%
Inflation	2.75%
Mortality, Retirement, Disability, Termination ⁽¹⁾	CalPERS 1997-2015 Experience Study
Participation	Actives: Currently covered: 90% Currently waived: 20%
Salary Increases	3.00%
Healthcare cost trend rate	Non-Medicare: 4.0% to 7.5% Medicare: 4.0% to 6.5%
PEMHCA Minimum Increase	4.25%

⁽¹⁾ - Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The Plan is an unfunded plan, therefore the discount rate was set to the Bond Buyer 20-Bond Index, as of the valuation date.

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

F. Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2019 (measurement date 1/13/2019)	\$ -
Changes in the period:	
Service cost	542,698
Interest on the total OPEB liability	10,492
Changes in assumption	65,557
Net changes	<u>618,747</u>
Balances at June 30, 2020 (measurement date 6/30/2019)	<u>\$ 618,747</u>

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

The following presents the total OPEB liability of SMC Fire if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

1% Decrease - 2.50%	
Total OPEB Liability	\$ 734,764
Current Rate - 3.50%	
Total OPEB Liability	\$ 618,747
1% Increase - 4.50%	
Total OPEB Liability	\$ 528,279

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of SMC Fire if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

1% Decrease - 3.00% to 6.50%	
Total OPEB Liability	\$ 496,529
Current Rate - 4.00% to 7.50%	
Total OPEB Liability	\$ 618,747
1% Increase - 5.00% to 8.50%	
Total OPEB Liability	\$ 781,636

I. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, SMC Fire recognized OPEB expense of \$558,699. For the fiscal year ended June 30, 2020, SMC Fire reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	\$ 60,048
Total	<u>\$ 60,048</u>

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

Fiscal Year Ending June 30:	
2021	\$ 5,509
2022	5,509
2023	5,509
2024	5,509
2025	5,509
Thereafter	32,503

San Mateo Consolidated Fire Department
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Fire Prevention Fund had excess expenditures over appropriations. Sufficient fund balance was available to fund these expenditures:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Fire Prevention	\$ 3,847,200	\$ 3,907,823	\$ (60,623)

11. COVID-19 PANDEMIC

During December 2019, the Novel Corona Virus Disease (COVID-19) was discovered. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California, leading to the San Mateo County Health Officer issuing a stay-at-home directive on March 16, 2020. This halted all business within San Mateo County outside of essential activities. There was no direct impact on SMC Fire, however member agencies that provide funding for SMC Fire’s operations experienced decreases in general revenues in fiscal year ended June 30, 2020, and expect decreases to continue in the following year.

12. COMMITMENTS AND CONTINGENCIES

Grants and Other Financial Assistance

SMC Fire received grants and other financial assistance 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, it is believed that any required reimbursements will not be material.

Litigation

SMC Fire is not aware of any contingent liabilities that are outstanding or lawsuits that are pending of any real financial consequence.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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San Mateo Consolidated Fire Department
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Budgetary Accounting

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

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

The original budget includes amounts automatically carried over from the prior years' budget such as encumbrances.

B. Encumbrances and Budgetary Financial Statements

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

Unencumbered operating appropriations lapse at year-end.

San Mateo Consolidated Fire Department
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

The following are the budget comparison schedules for all major Governmental Funds.

Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
Contributions from Belmont	\$ 7,487,307	\$ 7,487,307	\$ 7,487,307	\$ -
Contributions from Foster City	7,487,307	7,487,307	7,487,307	-
Contributions from San Mateo	22,461,923	22,461,923	22,461,922	(1)
Grants and other intergovernmental	978,476	1,267,812	1,295,899	28,087
Charges for services	-	-	4,910	4,910
Other revenues	-	37,926	418,646	380,720
Interest income	-	-	145,453	145,453
Total Revenues	<u>38,415,013</u>	<u>38,742,275</u>	<u>39,301,444</u>	<u>559,169</u>
EXPENDITURES:				
Current:				
Personnel costs	33,553,300	33,842,636	34,322,812	(480,176)
Materials and services	3,789,969	3,827,895	3,208,709	619,186
Capital Outlay	1,071,744	1,071,744	1,071,744	-
Total Expenditures	<u>38,415,013</u>	<u>38,742,275</u>	<u>38,603,265</u>	<u>139,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	698,179	698,179
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(230,000)	(230,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (230,000)</u>	<u>468,179</u>	<u>\$ 698,179</u>
FUND BALANCE:				
BEGINNING FUND BALANCES			862,901	
End of year, budgetary basis			1,331,080	
Adjustments to GAAP basis:				
Encumbrance adjustments			25,964	
ENDING FUND BALANCES			<u>\$ 1,357,044</u>	

San Mateo Consolidated Fire Department
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule - Fire Prevention Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	3,450,186	3,450,186	2,212,430	(1,237,756)
Other revenues	-	-	32,880	32,880
Interest income	8,160	8,160	42,067	33,907
Total Revenues	<u>3,458,346</u>	<u>3,458,346</u>	<u>2,287,377</u>	<u>(1,170,969)</u>
EXPENDITURES:				
Current:				
Personnel costs	2,768,913	2,848,913	2,930,642	(81,729)
Materials and services	254,054	254,054	228,388	25,666
Rents and Leases	149,247	149,247	151,263	(2,016)
Capital outlay	28,256	28,256	28,256	-
Miscellaneous	566,730	566,730	569,274	(2,544)
Total Expenditures	<u>3,767,200</u>	<u>3,847,200</u>	<u>3,907,823</u>	<u>(60,623)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (308,854)</u>	<u>\$ (388,854)</u>	<u>(1,620,446)</u>	<u>\$ (1,231,592)</u>
BEGINNING FUND BALANCES			<u>2,783,842</u>	
ENDING FUND BALANCES			<u>\$ 1,163,396</u>	

**San Mateo Consolidated Fire Department
Required Supplementary Information
For the year ended June 30, 2020**

2. DEFINED BENEFIT PENSION PLAN

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
LAST 10 Years*

	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportionate share of the net pension liability	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of the net pension liability	n/a	n/a	n/a	n/a	n/a	n/a
Covered payroll	\$ 9,881,977	n/a	n/a	n/a	n/a	n/a
Proportionate share of the net pension liability as percentage of covered payroll	0%	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

* Fiscal year 2015 was the first year of implementation of GASB 68 for CalPERS

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

SCHEDULE OF CONTRIBUTIONS - LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 4,153,862	\$ 1,725,083	n/a	n/a	n/a	n/a
Contribution in relation to the actuarially determined contributions	(4,153,862)	(1,725,083)	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 22,512,695	\$ 9,881,977	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	18.45%	17.46%	n/a	n/a	n/a	n/a

* Fiscal year 2015 was the first year of implementation of GASB 68 for CalPERS

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

San Mateo Consolidated Fire Department
Required Supplementary Information
For the year ended June 30, 2020

3. DEFINED BENEFIT OPEB PLAN

SCHEDULE OF CHANGES IN THE TOTAL OPEB
 LIABILITY AND RELATED RATIOS - LAST TEN FISCAL YEARS *

	2020	2019
Measurement Date	6/30/2019	1/13/2019
Total OPEB Liability		
Service Cost	\$ 542,698	\$ -
Interest on the total OPEB liability	10,492	-
Changes of assumptions	65,557	-
Net change in total OPEB liability	618,747	-
Total OPEB Liability - beginning	-	-
Total OPEB Liability - ending	\$ 618,747	\$ -
Covered-employee payroll	\$26,552,435	n/a
Total OPEB liability as a percentage of covered-employee payroll	2.33%	n/a

* Fiscal year 2019 was the first year of implementation of GASB 75.

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SUPPLEMENTARY INFORMATION

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San Mateo Consolidated Fire Department
Combining Statement of Net Position
All Internal Service Funds
June 30, 2020

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,491,286	\$ 1,257,856	\$ 537,384	\$ 7,286,526
Total current assets	5,491,286	1,257,856	537,384	7,286,526
Noncurrent assets:				
Capital assets net of depreciation	243,889	-	-	243,889
Total noncurrent assets	243,889	-	-	243,889
Total assets	5,735,175	1,257,856	537,384	7,530,415
LIABILITIES				
Current liabilities				
Accounts payable	11,236	297	-	11,533
Total current liabilities	11,236	297	-	11,533
Total liabilities	11,236	297	-	11,533
NET POSITION				
Investment in capital assets	243,889	-	-	243,889
Unrestricted	5,480,050	1,257,559	537,384	7,274,993
Total net position	\$ 5,723,939	\$ 1,257,559	\$ 537,384	\$ 7,518,882

San Mateo Consolidated Fire Department
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
All Internal Service Funds
For the year ended June 30, 2020

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total Internal Service Funds
REVENUES:				
Charges for services	\$ 1,100,000	\$ 8,270,978	\$ 2,237,466	\$ 11,608,444
Insurance reimbursement	-	170	238,605	238,775
Total operating revenues	1,100,000	8,271,148	2,476,071	11,847,219
OPERATING EXPENSES:				
Materials and services	164,608	7,481,287	2,702,652	10,348,547
Depreciation	26,915	-	-	26,915
Total operating expenses	191,523	7,481,287	2,702,652	10,375,462
OPERATING INCOME (LOSS)	908,477	789,861	(226,581)	1,471,757
NONOPERATING REVENUES (EXPENSES) :				
Interest income	89,129	-	-	89,129
INCOME (LOSS) BEFORE CONTRIBUTIONS	997,606	789,861	(226,581)	1,560,886
CONTRIBUTIONS AND TRANSFERS:				
Contributions from Belmont	335,541	-	-	335,541
Contributions from Foster City	497,339	-	-	497,339
Contributions from San Mateo	1,297,159	-	-	1,297,159
Capital contributions	36,882	-	-	36,882
Transfers in	-	-	230,000	230,000
Total contributions and transfers	2,166,921	-	230,000	2,396,921
Change in net position	3,164,527	789,861	3,419	3,957,807
Net Position - Beginning	2,559,412	467,698	533,965	3,561,075
Net Position - Ending	\$ 5,723,939	\$ 1,257,559	\$ 537,384	\$ 7,518,882

San Mateo Consolidated Fire Department
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2020

	Vehicle & Equipment Replacement Fund	Benefit & Dental Fund	Workers' Comp & Comprehensive Liability Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for interfund services provided	\$ 1,100,000	\$ 8,270,978	\$ 2,237,466	\$ 11,608,444
Insurance reimbursement	-	170	238,605	238,775
Payment to vendors	(180,922)	(7,484,314)	(2,702,712)	(10,367,948)
Net cash provided by (used in) operating activities	919,078	786,834	(226,641)	1,479,271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	230,000	230,000
Net cash provided by (used in) noncapital financing activities	-	-	230,000	230,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Contributions from other agencies	2,130,039	-	-	2,130,039
Acquisition of capital assets	(143,688)	-	-	(143,688)
Net cash provided by (used in) capital financing activities	1,986,351	-	-	1,986,351
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	89,129	-	-	89,129
Net cash provided by (used in) investing activities	89,129	-	-	89,129
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,994,558	786,834	3,359	3,784,751
Cash and cash equivalents - beginning	2,496,728	471,022	534,025	3,501,775
Cash and cash equivalents - ending	\$ 5,491,286	\$ 1,257,856	\$ 537,384	\$ 7,286,526
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 908,477	\$ 789,861	\$ (226,581)	\$ 1,471,757
Depreciation expense	26,915	-	-	26,915
Increase (Decrease) in:				
Accounts payable	(16,314)	(3,027)	(60)	(19,401)
Net cash and cash equivalents provided by (used in) operating activities	\$ 919,078	\$ 786,834	\$ (226,641)	\$ 1,479,271
NONCASH ITEMS:				
Capital contributions	\$ 36,882	\$ -	\$ -	\$ 36,882

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STATISTICAL SECTION (Unaudited)

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

Contents **Page**

Financial Trends 70-73

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

Revenue Capacity 74-75

These schedules contain information to help the reader assess the Member Cities ability to generate its major sources for funding the Department.

Demographic and Economic Information 76

This schedule offers demographic and economic indicators to help the reader understand the environment within which the Department’s financial activities take place.

Operating Information 77-78

These schedules contain service and infrastructure data to help the reader understand how the information in the Department’s financial report relates to the services the Department provides and the activities it performs.

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Net Position by Component
(accrual basis of accounting)

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

Notes:

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

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

Source: San Mateo Consolidated Fire Department audited financial statements

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Changes in Net Position
(accrual basis of accounting)

	FISCAL YEAR	
	<u>2019⁽¹⁾</u>	<u>2020</u>
Governmental Activities		
Expenses		
Personnel	\$ 11,249,779	\$ 34,264,066
Material and services	5,522,838	3,185,245
Rent and leases	62,020	151,263
Miscellaneous	233,996	569,274
Depreciation	301,088	617,450
Total Expenses	<u>17,369,721</u>	<u>38,787,298</u>
Program Revenues		
Charges for Services	1,394,330	2,217,340
Operating Contributions	20,234,721	37,436,536
Capital Contributions	2,645,192	2,130,039
Total Program Revenues	<u>24,274,243</u>	<u>41,783,915</u>
Net Program Revenue/(Expenses)	6,904,522	2,996,617
General Revenues		
Other revenues	1,054,377	1,986,200
Investment income	156,213	276,649
Total General Revenues	<u>1,210,590</u>	<u>2,262,849</u>
Change in Net Position	8,115,112	5,259,466
Net Position - Beginning	4,724,512	12,839,624
Net Position - Ending	<u>\$ 12,839,624</u>	<u>\$ 18,099,090</u>

Notes:

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

Source: San Mateo Consolidated Fire Department audited financial statements

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	FISCAL YEAR	
	2019⁽¹⁾	2020
General Fund		
Nonspendable fund balance	\$ -	\$ 17,097
Assigned fund balance	-	100
Unassigned fund balance	862,901	1,339,847
Total General Fund	\$ 862,901	\$ 1,357,044
 All Other Governmental Funds		
Committed fund balance	\$ 2,783,842	\$ 1,163,396
Total all other Governmental Funds	\$ 2,783,842	\$ 1,163,396

Notes:

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

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

Source: San Mateo Consolidated Fire Department audited financial statements

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)

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

Notes:

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

Source: San Mateo Consolidated Fire Department audited financial statements

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Governmental Funds Revenues by Sources
(modified accrual basis of accounting)

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

Notes:

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

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

Source: San Mateo Consolidated Fire Department audited financial statements

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

Fiscal Year	Property Taxes	Sales Taxes	Transient Occupancy Taxes	Franchise Fee	Other Revenues (1)
City of Belmont					
2015	13,134,287	3,085,607	1,947,101	1,539,939	2,474,536
2016	14,132,122	3,613,991	2,338,135	1,619,124	2,436,212
2017	15,527,210	3,882,588	2,381,244	1,546,473	2,619,042
2018	16,894,686	5,134,206	2,697,686	1,341,714	2,786,304
2019	18,038,474	5,543,213	3,577,080	1,339,415	2,987,318
2020	n/a	n/a	n/a	n/a	n/a
City of Foster City					
2015	22,824,950	3,955,873	2,581,207	1,135,666	2,076,698
2016	25,042,950	3,892,638	2,820,879	1,182,060	2,032,180
2017	27,249,762	3,780,217	2,914,905	1,190,454	2,096,693
2018	29,967,500	4,141,017	3,518,966	1,178,643	2,109,503
2019	33,612,508	4,513,774	4,389,794	1,151,822	2,180,845
2020	n/a	n/a	n/a	n/a	n/a
City of San Mateo					
2015	45,514,243	26,406,209	8,007,509	3,049,847	16,454,901
2016	49,821,722	27,458,762	8,866,036	3,143,082	15,948,138
2017	52,989,559	26,001,431	8,636,992	3,142,369	18,134,842
2018	58,137,331	26,313,958	8,750,353	3,208,096	17,869,559
2019	63,899,034	28,606,235	8,435,377	3,134,906	20,430,720
2020	n/a	n/a	n/a	n/a	n/a

Note:

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

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

Information is the latest available for this report.

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

Fiscal Year	Population	Per Capita Personal Income (\$)	City Unemployment Rate
CITY OF BELMONT			
2011	26,031	n/a	n/a
2012	26,123	n/a	n/a
2013	26,316	n/a	n/a
2014	26,559	n/a	n/a
2015	26,748	n/a	n/a
2016	27,608	n/a	n/a
2017	27,343	n/a	n/a
2018	27,388	n/a	n/a
2019	27,174	n/a	n/a
2020	n/a	n/a	n/a
CITY OF FOSTER CITY			
2011	30,790	50,415	6.2%
2012	30,895	51,690	5.2%
2013	31,120	50,947	4.0%
2014	32,168	51,120	3.1%
2015	32,187	52,998	3.9%
2016	33,201	56,051	3.1%
2017	33,225	59,862	2.8%
2018	33,490	64,751	2.5%
2019	33,693	n/a	2.0%
2020	n/a	n/a	n/a
CITY OF SAN MATEO			
2011	97,966	42,673	6.6%
2012	98,298	43,900	5.0%
2013	99,061	44,719	5.3%
2014	100,106	45,659	4.3%
2015	101,429	46,304	3.1%
2016	102,659	50,226	3.3%
2017	103,426	52,643	2.9%
2018	104,490	55,992	2.0%
2019	104,570	59,060	1.6%
2020	n/a	n/a	n/a

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

Information is latest available for this report.

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Operating Indicators by Function

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

Notes:

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

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

Source: San Mateo Consolidated Fire Department

SAN MATEO CONSOLIDATED FIRE DEPARTMENT
Capital Assets Statistics

(as of June 30)

FISCAL YEAR

<u>CAPITAL ASSETS</u>	<u>2019</u>	<u>2020</u>
Number of stations	9	9
Number of automobiles	25	28
Number of pumpers/fire engines	24	21
Number of trailers	19	19
Number of jet ski	2	2
Number of boat	1	1

Source: San Mateo Consolidated Fire Department