

SAN MATEO UNION HIGH SCHOOL DISTRICT

**COUNTY OF SAN MATEO
SAN MATEO, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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SAN MATEO UNION HIGH SCHOOL DISTRICT

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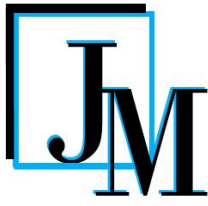
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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
San Mateo Union High School District
San Mateo, 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 Union High School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions 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 the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the August 2020 edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, Subpart F – Audit Requirements (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

DISTRICT PROFILE

The San Mateo Union High School District serves the cities of San Mateo, San Bruno, Burlingame, Foster City, and Millbrae as well as the town of Hillsborough. It operates six comprehensive high schools, a charter school, a continuation high school, a middle college program and an adult school. The District is located in northern Silicon Valley approximately 30 miles south of San Francisco next to U.S. Highway 101.

The District is categorized as Basic Aid funded and receives 89% of its revenues from local property taxes. Property values within the District have remained strong and inventory low. The District's assessed valuation (AV) growth for 2020 was 7.2% higher than the prior year's AV growth.

The District's enrollment began to increase in 2013. The District's average daily attendance (ADA) for grades ninth through twelfth was 8,708. Design Technology Charter High School had 550 ADA in grades nine through eleven and the Adult School had over 5,000 ADA. The District's enrollment is anticipated to gradually slow through 2029.

The District currently employs approximately 1,500 staff members.

Beginning in March of the current fiscal year, the world experienced the Covid-19 pandemic. As a result, the Governor and San Mateo County enacted "Shelter in Place" orders that have changed about everything in our lives: how we work, play, and learn have all been dramatically altered. The pandemic has also upended the state education budgets, leaving the District unsure how to plan for coming needs. This included extensive operational changes such as paths of travel, wellness checks, distance learning, delivery method platforms, security, automation to eliminate germ infested paper, extensive training for both staff and students on effective distance learning practices, grading, internet access for all students, extensive cleaning and sterilizing protocols, feeding students (especially those most impacted), and revising the format of the board meetings.

Each day was a new day and since a pandemic had not been experienced in our lifetime, the roadmap out remains a work in progress. While cuts to school budgets have not yet been as severe as originally predicted, the evidence indicates more austere budget challenges lie ahead.

This section of District's 2019-20 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

MISSION

The mission of the District is to challenge and motivate each student to achieve full potential as a responsible member of our diverse community, in a safe learning environment that promotes intellectual growth, health, creativity and respect for self and others.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

BELIEFS

We believe that:

- Each individual has equal inherent dignity and worth.
- Family is essential to the development of an individual's values.
- Learning develops the aesthetic, emotional, intellectual, practical, and social aspects of the whole person.
- Learning is a unique, personal, and lifelong experience.
- Motivation is essential for reaching one's potential.
- Higher expectations yield higher results.
- Communities have a responsibility to the individual and the individual has a responsibility to the community.
- Diversity enriches the community.

Enrollment

Grade	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
9	2,426	2,399	2,331	2,392	2,279	2,353	2,373	2,372
10	2,425	2,455	2,439	2,377	2,438	2,316	2,381	2,393
11	2,415	2,450	2,489	2,482	2,421	2,475	2,340	2,397
12	2,529	2,497	2,536	2,578	2,571	2,488	2,538	2,399
Subtotals	9,795	9,801	9,795	9,829	9,709	9,632	9,632	9,561
Pct Chg	3.8%	0.1%	-0.1%	0.3%	-1.2%	-0.8%	0.0%	-0.7%
SDC	75	76	76	78	76	75	75	74
Totals	9,870	9,877	9,871	9,907	9,785	9,707	9,707	9,635
	570	550	550	550	550	550	550	550
	9,300	9,327	9,321	9,357	9,235	9,157	9,157	9,085

2019-20 CBEDS

- Primary enrollment 9,317
- English Learners 969
- Eligible Immigrants 495
- Gifted and Talented 1,077
- Special Education 977
- Economically Disadvantaged 2,460

The preceding table shows the enrollment history for the District including its charter school. Design Technology Charter High School’s first year of operation was 2014-15. You will note that Design Technology’s enrollment increased thereafter until all four grades were feathered in and the high school was fully operational.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities and Change in Net Position

The Statement of Net Position and the Statement of Activities provide information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting system used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes. Net position is the difference between assets and liabilities and is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's enrollment, property tax base, and the condition of the District's facilities.

The relationship between revenues and expenses impacts the District's financial operating results. Basic Aid school districts are dependent upon the growth of assessed valuation and changes in enrollment. The Board has set up several safeguards to protect its assets by ensuring unforeseen changes in the assessed valuation do not negatively impact the educational programs we provide to students. The quality of the education, breadth and depth of support programs and services for all students and the safety of our schools are critical. Covid-19 has challenged our ability to teach all students.

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information about the District's most significant funds and are used to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues. Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than in the District-wide statements.

- Governmental fund statements tell how basic services such as instruction and pupil services were financed in the short term as well as what remains for future spending. Most of the District's basic services are included in governmental funds. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information in the reconciliation statements that explains the relationship (or differences) between them.
- Proprietary fund statements offer financial information about the activities the District operates on a cost reimbursement basis, such as the self-insurance fund. Proprietary funds are reported in the same way as in the District-wide statements.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong such as associated student body accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in District-wide and fund financial statements. The notes to the financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s general fund budget, both the adopted and final version, with year-end actuals.

DISTRICT ACTIVITIES

- Continued to developed instructional programs to close the achievement gap for English Learners and disadvantaged students.
- Updated and implemented board policies including grading policies and the student responsible use policy relative to the Covid-19 pandemic.
- Drafted, approved and negotiated an amended and restated agreement regarding operational and maintenance sharing costs between the City of Burlingame and the San Mateo Union High School District for the use of the swimming pool at Burlingame High School.
- Updated and implemented new job descriptions and deleted job descriptions no longer relevant.
- Evaluated critical need and location of teacher/staff housing to attract and retain exemplary teachers and staff.
- The District investigated options and the future use/disposition of the Crestmoor school site including the potential of selling the site. The Board of Trustees declared the Crestmoor site surplus and submitted a waiver request to the California Department of Education to waive certain surplus property procedures.
- The District issued a Request for Proposals for real estate brokers, legal counsel and public relations services related to potential sale of the Crestmoor site. Firms were interviewed and then selected based on established criteria.
- The District issued a Request for Qualifications and Proposals, which was broadly published and advertised to solicit quality developers for the sale and development of the Crestmoor High School site. Statements of Qualifications were received from eleven firms and eight firms passed the review process and were eligible to submit proposals to purchase the property.
- Adopted Equity Vision to improve student outcomes.
- Restructured the District’s Mental Health program to improve delivering wellness services to students.
- Revised District school boundaries for Mills High School and Burlingame High School to ensure each school had future enrollment capacity.
- Implemented Fund 08 - Student Activities Fund to comply with GASB 84.
- Expanded Technology support to acquire and support student learning using hot spots.
- Implemented a distant learning platform expeditiously and developed detailed protocols to implement when permitted under amended “Shelter in Place” orders.
- Generated design drawings for Capital Facility Projects and submitted design drawings to Division of the State Architect (DSA) for review. Capital Facility Projects are being constructed or completed.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

- Bond Measures
 - Measure M
 - Burlingame High School new pool
 - Measure O
 - Technology replenishment
 - New Peninsula High School
 - District Office installation of solar panels in parking lot
 - Measure L
 - Campus safety - video surveillance system
 - Mills High School artificial stadium field
 - Capuchino High School artificial stadium field
 - Mills High School Athletic complex
 - Capuchino High School Athletic complex
 - Other Capital Projects
 - Aragon High School Elevator Canopy
 - Aragon High School Sealant Replacement
 - Burlingame High School new press box
 - Burlingame High School artificial turf replacement on the practice field
 - Burlingame High School locker augmentation
 - Hillsdale High School locker addition
 - San Mateo High School new gym roof
- Refinanced outstanding bonds twice in 2019:
 - In August 2019, the District refinanced Measure M and Measure O bonds, saving property owners over \$6.7 million (9.6% present value savings).
 - In November 2019, the District refinanced additional Measure M bonds, saving property owners over \$2.2 million (5.3% present value savings).
- Safety team investigated options to ensure our campuses were safeguarded. The team brought forth a video surveillance camera proposal to the Board of Trustees for consideration and the proposal was approved.
- A celebration with the City of Burlingame and the San Mateo Union High School District for the reopening of the Burlingame High School pool.
- Board of Trustees approved placing a General Obligation Bond measure on the March ballot for \$385 million under Proposition 39 to address technology, safety, academic and sustainability needs. The bond measure successfully passed due to the proven track record of careful stewardship of the District’s assets.

Bond proceeds of \$96.3 million was issued at an interest rate of 2.31%. The District was able to lock in the exceptionally low interest rates by securing a rating of ‘Aaa’ from Moody’s Investors Service. The ‘Aaa’ rating is the highest possible rating from Moody’s. This outstanding rating was a result of the District’s conservative fiscal policies and practices, large tax base, strong resident socioeconomics, and healthy finances. The District’s strong rating distinguished the bonds from other municipal bonds in the marketplace and helped secure significant investor demand.

After Measure L passed, the District issued Requests for Proposal for legal services, construction management services, architectural services, Inspector of Record services, testing services, geotechnical services, CEQA services and consultants and firms were selected.

Three Measure L projects are underway.

SAN MATEO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

- Staff conducted a detailed analysis of Special Education to identify new trends, program needs, oversight, system implementation, staffing modifications and training to improve the program.
- The 2018-19 District audit was positive.
- The 2018-19 received a stellar bond performance audit.
- The District refinanced portions of Measure M and Measure O, saving taxpayers an aggregate \$8.9 million.
- The District passed a \$385 million general obligation bond initiative for capital projects focused on safety, academic, technology and sustainability.
- The District issued \$13.4 million in tax and revenue anticipation notes (“TRANS”) for cash flow purposes. The TRANS received a very low borrowing rate of 0.2% and will be repaid on June 30, 2020. Secured Property tax revenue increased by 7.2% from the prior year.
- The District received a Strong Workforce grant of \$489,647.
- The District received \$1.1 million from parent donations.
- \$1.3 million of deferred revenue from grants was appropriated from the prior year.
- The cost of a 1% salary increase was \$1.2 million
- All bargaining units negotiated salary schedule increases of 4.44%.
- CalPERS retirement rate increased by 1.66% from the prior year.
- STRS retirement rate increased by 0.82% from the prior year.
- 5.6 Certificated FTE’s were added to the budget from 2018-19.
- 8.2 Classified FTE’s were added to the budget from 2018-19.
- The increase in local state revenues and corresponding offset in benefit costs was due to the effects of a change implemented in 2018-19 to financial reporting requirements for pensions. Governmental Accounting Standards Board (GASB) introduced new requirements for recognition of employer costs and obligations for pensions (STRS & PERS On-Behalf). If the benefits earned by the pension plan exceed the resources accumulated, then districts must report their proportionate share of the liability. Both STRS and CalPERS accrued the contributions and districts are to recognize the impact in their financial statements.
- Several material transactions occurred between the time the 2019-20 Estimated Actuals were presented to the Board of Trustees as part of the 2020-21 Adopted Budget and the 2019-20 Unaudited Actuals.
 - Revenues decreased by (\$632,010) due to deferring unspent restricted local grants.
 - Covid-19 State and County “Shelter in Place” orders were enacted in March 2020. This caused significant increases in expenses such as utilities, substitute employees, supplies and equipment.
 - Total expenditures decreased by (\$2,660,411)
 - STRS Expense increased by \$1,842,325 as a result of GASB 68
 - Book and Supplies decreased by (\$2,271,285)
 - Services and Other Operating Expenses decreased by (\$1,228,019)
 - The decrease in Other Operating Expenses was due to changes in the Special Education budget. At First Interim, Special Education requested an additional \$3.4 million for NPS/NPA contract expense. When the financial statements were closed, \$1.7 million remained unspent from the NPA/NPS contract budget. The final invoice from the SMCOE for Mental Health services was \$642K greater than the budget. The net result of these two transactions is an increase in the ending balance for Special Education of \$1.1 million.
 - The ending balance is composed of a 13.4% net Basic Aid Reserve \$21,610,106, excluding Revolving Cash \$20,000, carry over \$1,029,166, stores \$44,276 and prepaid expenses \$1,348,556.
 - Total salary and benefits for the General Fund represented 81% of total expenditures.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

NET POSITION

The District's combined net position, as of June 30, 2020, was (\$121,038,224) reflecting a decrease of 16.9%.

Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>Percentage %</u>
Assets:				
Current Assets	\$ 169,347,535	\$ 268,365,031	\$ 99,017,496	58.5%
Capital Assets, Net	519,815,057	507,176,243	(12,638,814)	-2.4%
Total Assets	<u>689,162,592</u>	<u>775,541,274</u>	<u>86,378,682</u>	<u>12.5%</u>
Deferred Outflows of Resources	79,942,338	98,651,395	(18,709,057)	-23.4%
Liabilities:				
Current Liabilities	17,379,835	23,253,914	5,874,079	33.8%
Long-term Liabilities	788,317,150	894,313,344	105,996,194	13.4%
Total Liabilities	<u>805,696,985</u>	<u>917,567,258</u>	<u>111,870,273</u>	<u>13.9%</u>
Deferred Inflows of Resources	66,958,183	77,663,635	10,705,452	16.0%
Net Position:				
Net Investment in Capital Assets	(25,041,761)	(47,256,449)	(22,214,688)	88.7%
Restricted	41,606,737	52,905,900	11,299,163	27.2%
Unrestricted	(120,115,214)	(126,687,675)	(6,572,461)	-5.5%
Total Net Position	<u>\$ (103,550,238)</u>	<u>\$ (121,038,224)</u>	<u>\$ (17,487,986)</u>	<u>-16.9%</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

CHANGE IN NET POSITION

The District's total revenues increased \$4,499,939, 1.9%, to \$237,427,225. The total cost of all programs and services increased 11.4% to \$254,915,211. The District's expenses are predominantly related to educating and caring for students (57.5%).

Condensed Statement of Activities

	<u>2019</u>	<u>2020</u>	<u>Change</u>	<u>Percentage %</u>
Revenues:				
Charges for Services	\$ 903,539	\$ 1,350,861	\$ 447,322	49.5%
Operating Grants & Contributions	29,538,019	27,366,286	(2,171,733)	-7.4%
Capital Grants & Contributions	67	-	(67)	-100.0%
Federal & State Aid, not restricted for specific purposes	6,150,961	4,221,553	(1,929,408)	-31.4%
Taxes and Subventions	185,940,930	196,980,479	11,039,549	5.9%
Interest & Investment Earnings	3,308,167	2,881,447	(426,720)	-12.9%
Other General Revenues	7,085,603	4,626,599	(2,459,004)	-34.7%
Total Revenues	<u>232,927,286</u>	<u>237,427,225</u>	<u>4,499,939</u>	<u>1.9%</u>
Expenses:				
Instruction	86,760,978	99,537,263	12,776,285	14.7%
Instruction Related Services	21,563,479	23,336,990	1,773,511	8.2%
Pupil Services	20,815,028	23,640,508	2,825,480	13.6%
General Administration	7,002,410	8,684,486	1,682,076	24.0%
Plant Services	21,988,186	24,544,418	2,556,232	11.6%
Interest on Long-Term Debt	30,084,467	32,856,752	2,772,285	9.2%
Depreciation (unallocated)	28,736,946	29,751,115	1,014,169	3.5%
Other Expenses	11,906,162	12,563,679	657,517	5.5%
Total Expenses	<u>228,857,656</u>	<u>254,915,211</u>	<u>26,057,555</u>	<u>11.4%</u>
Change in Net Position	<u>\$ 4,069,630</u>	<u>\$ (17,487,986)</u>	<u>\$ 21,557,616</u>	<u>529.7%</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

LONG TERM LIABILITIES

Total long-term liabilities increased by \$105,996,194 (13.45%).

	<u>2019</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Bonds Payable	\$ 516,484,382	\$ 605,441,274	\$ 88,956,892	17.22%
Accreted Interest	103,535,623	114,248,586	10,712,963	10.35%
Capital Leases	320,635	246,348	(74,287)	100.00%
Net OPEB Liability	2,992,695	2,344,030	(648,665)	-21.67%
Net Pension Liability	164,436,717	171,388,016	6,951,299	4.23%
Accumulated Vacation	547,098	645,090	97,992	17.91%
Total	<u>\$ 788,317,150</u>	<u>\$ 894,313,344</u>	<u>\$ 105,996,194</u>	<u>13.45%</u>

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

CAPITAL ASSETS

Capital assets, net of depreciation, decreased by \$12,638,813 (2.43%) due to current year depreciation growing at a higher rate than acquisitions and improvements.

	<u>2019</u>	<u>2020</u>
Land	\$ 3,693,384	\$ 3,693,384
Work-in-Progress	10,897,277	24,802,658
Buildings	224,580,715	224,580,715
Improvement of Sites	577,343,429	579,996,227
Equipment	9,833,822	10,387,944
Subtotals	826,348,627	843,460,928
Less: Accumulated Depreciation	<u>(306,533,570)</u>	<u>(336,284,684)</u>
Capital Assets, net	<u>\$ 519,815,057</u>	<u>\$ 507,176,244</u>

**SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

GENERAL FUND

General Fund Budgetary Highlights

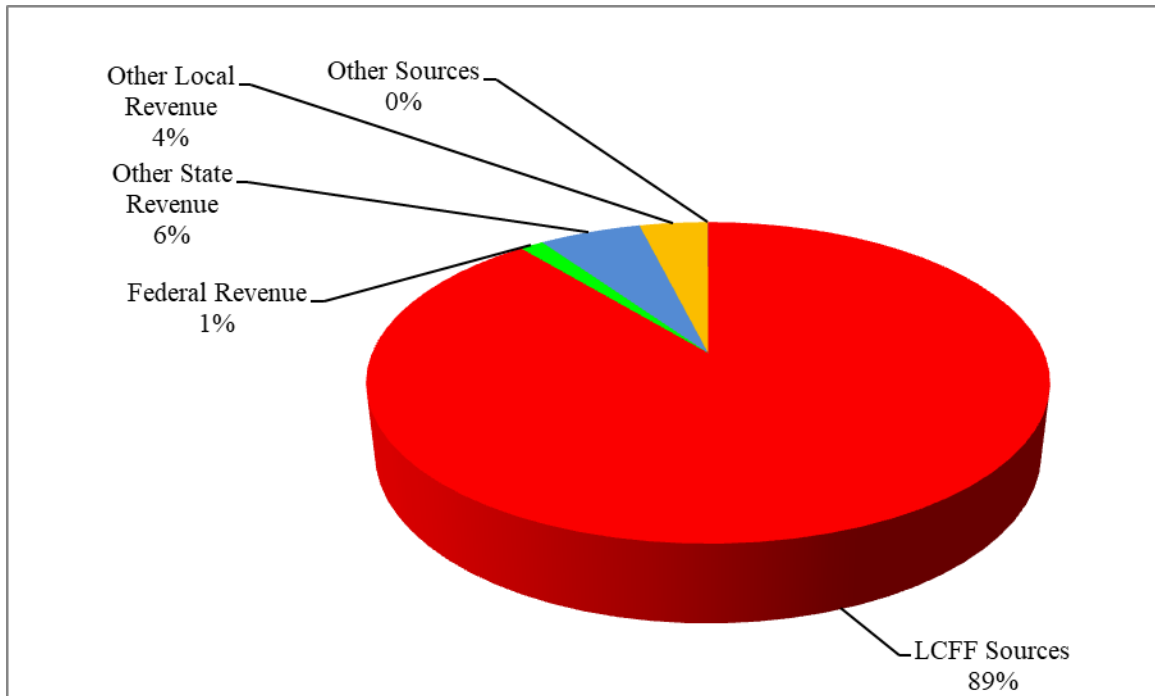
The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim and any other time there are significant changes.

The District incurred unanticipated expenditures in excess of appropriations for employee benefits and capital outlay of the general fund. The excess expenditures for employee benefits are due to the recognition of the state on-behalf payments for STRS, which are not included in the adopted budget.

Other than the aforementioned instances, the District did not incur unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

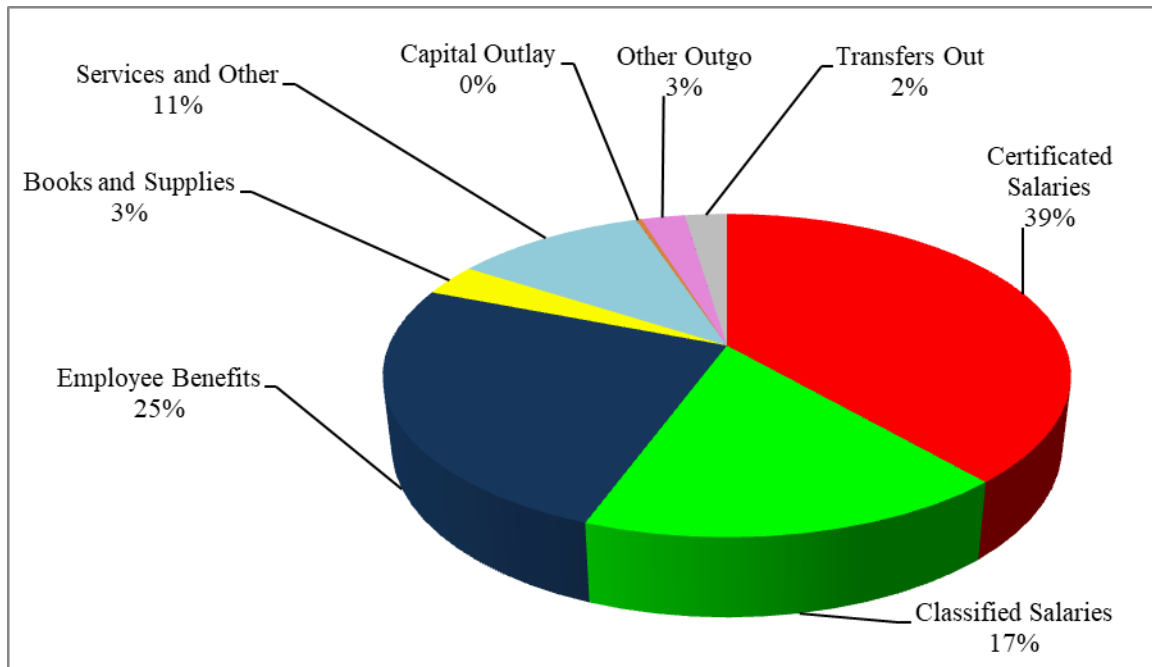
Governmental Activities

The following chart provides a breakdown of the \$179.6 million of General Fund revenues by category:



**SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

The following chart provides a breakdown of the \$179.9 million of General Fund expenditures by object:



Instruction and instruction-related services account for 53% of total expenditures by function. Overall, salary and benefits made up 80.9% of the total expenditures in the General Fund for 2019-20.

ECONOMIC FACTORS AND THE FY 2019-20 BUDGET

The LCFF was implemented to simplify funding for local educational agencies. The old funding model provided a per pupil allocation which was multiplied by the number of a school district’s average daily attendance (ADA). Basic Aid school districts also received restricted monies for 50 different programs.

Under the LCFF and its revised models, revenue limits and most state categorical programs were eliminated. The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts and charter schools, the LCFF funding targets consist of grade span specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors.

Basic aid districts, like the District, receive more per-pupil funding than needed to meet their LCFF targets and their ERT. Because they lost funding as numerous categorical funds were rolled into the LCFF, they will continue to receive the same amount of state aid they received in 2012–13. The District is \$61.3 million into Basic Aid.

The District’s LCAP and the budget are aligned to the eight state priorities: Basic Services, Implementation of State Standards, Course Access, Pupil Achievement, Other Pupil Outcomes, Parent Involvement, Pupil Engagement, and Student Climate.

SAN MATEO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020

Proposition 30 was extended by the electorate in the November 2016 ballot measure. This provides continued support to public education.

Basic aid districts have expenditure budgets that are built on local tax revenues. There is no safety net at all on basic aid revenues until they decline to the level of the revenue limit and the district ceases to be basic aid. Declines in revenue per student are quite common in basic aid districts; they happen every year in either small increments or large drops. Basic aid districts therefore must create their own safety net and must do it by maintaining higher-than-average reserves.

To safeguard the District against fluctuations, the Board of Trustees adopted a prudent Basic Aid contingency reserve equal to 12%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community, property taxpayers, parents, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability and safe guards of the money it receives. If you have questions regarding this report or need additional financial information, contact Elizabeth McManus, Deputy Superintendent, Business Services, 650 Delaware Ave. San Mateo, CA 94401.

FINANCIAL SECTION

SAN MATEO UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 260,362,383
Receivables	6,609,816
Prepaid expenses	1,348,556
Inventories	44,276
Capital assets, net of accumulated depreciation	<u>507,176,243</u>
Total Assets	<u>775,541,274</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of bonds	11,785,480
Deferred discount on bonds	796,429
Deferred outflows of resources relating to pensions (note 6)	86,004,085
Deferred outflows on OPEB (note 7)	<u>65,401</u>
Total deferred outflows	<u>98,651,395</u>
LIABILITIES	
Accounts payable and other current liabilities	21,854,892
Unearned revenue	1,399,022
Long-term liabilities:	
Due within one year	21,189,288
Due in more than one year	<u>873,124,056</u>
Total Liabilities	<u>917,567,258</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred bond premium revenue	41,623,114
Deferred inflows on pensions (note 6)	35,266,169
Deferred inflows on OPEB (note 7)	<u>774,352</u>
Total deferred inflows	<u>77,663,635</u>
NET POSITION	
Net investment in capital assets	(47,256,449)
Restricted	52,905,900
Unrestricted	<u>(126,687,675)</u>
Total Net Position	<u>\$ (121,038,224)</u>

The accompanying notes are an integral part of these financial statements.

SAN MATEO UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 99,537,263	\$ 27,414	\$ 12,191,134	\$ -	\$ (87,318,715)
Instruction - related services:					
Instructional supervision	6,675,335	1,437	1,117,995	-	(5,555,903)
Instructional library, media and technology	5,853,240	1,905	241,153	-	(5,610,182)
School site administration	10,808,415	10,734	2,318,155	-	(8,479,526)
Pupil Services:					
Home-to-school transportation	3,322,234	3,556	138,234	-	(3,180,444)
Food services	2,239,583	659,614	978,283	-	(601,686)
All other pupil services	18,078,691	3,340	195,922	-	(17,879,429)
General administration	8,684,486	25,259	175,308	-	(8,483,919)
Plant services	24,544,418	2,683	406,054	-	(24,135,681)
Ancillary services	5,599,052	11,242	306,415	-	(5,281,395)
Community services	72,763	-	-	-	(72,763)
Enterprise activities	1,609,163	-	-	-	(1,609,163)
Interest on long-term debt	32,856,752	-	-	-	(32,856,752)
Other outgo	5,282,701	603,677	9,297,633	-	4,618,609
Depreciation (unallocated)	29,751,115	-	-	-	(29,751,115)
Total governmental activities	<u>\$ 254,915,211</u>	<u>\$ 1,350,861</u>	<u>\$ 27,366,286</u>	<u>\$ -</u>	<u>(226,198,064)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					157,572,857
Taxes levied for debt service					34,765,422
Taxes levied for other specific purposes					4,642,200
Federal and state aid not restricted to specific purposes					4,221,553
Interest and investment earnings					2,881,447
Interagency revenues					381,978
Miscellaneous					4,244,621
Total general revenues					<u>208,710,078</u>
Change in net position					(17,487,986)
Net Position - July 1, 2019					<u>(103,550,238)</u>
Net Position - June 30, 2020					<u>\$ (121,038,224)</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Building Fund	Bond Interest And Redemption Fund	All Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	\$ 29,887,468	\$ 165,503,516	\$ 40,217,261	\$ 24,754,138	\$ 260,362,383
Accounts receivable	4,635,202	1,038,801	130,031	805,782	6,609,816
Stores	44,276	-	-	-	44,276
Prepaid expenditures	1,348,556	-	-	-	1,348,556
Due from other funds	97,862	31,822	-	1,713	131,397
Total assets	\$ 36,013,364	\$ 166,574,139	\$ 40,347,292	\$ 25,561,633	\$ 268,496,428
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,054,106	\$ 7,020,723	\$ -	\$ 305,476	\$ 12,380,305
Unearned revenue	1,301,433	-	-	97,589	1,399,022
Due to other funds	1,713	17,568	-	112,116	131,397
Total Liabilities	6,357,252	7,038,291	-	515,181	13,910,724
Fund balances					
Nonspendable	1,412,832	-	-	-	1,412,832
Restricted	179,583	9,022,314	40,347,292	3,356,711	52,905,900
Committed	23,328,662	150,513,534	-	21,689,741	195,531,937
Unassigned	4,735,035	-	-	-	4,735,035
Total Fund Balance	29,656,112	159,535,848	40,347,292	25,046,452	254,585,704
Total liabilities and fund balances	\$ 36,013,364	\$ 166,574,139	\$ 40,347,292	\$ 25,561,633	\$ 268,496,428

SAN MATEO UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total fund balances - governmental funds \$ 254,585,704

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	\$ 843,460,928	
Accumulated depreciation:	<u>(336,284,685)</u>	
Net:		507,176,243

Unamortized costs: In governmental funds, debt issue costs and premiums are recognized in the period they are incurred. In the government-wide statements, debt issue costs and premiums are amortized over the life of the debt. Unamortized debt issue costs and premiums included in deferred inflows and outflows on the statement of net position are:

Unamortized portion of bond premiums		(41,623,114)
Unamortized portion of loss on refunding of bonds		11,785,480
Unamortized portion of bond discount		796,429

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(9,474,587)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General Obligation Bonds Payable	\$ (605,441,274)	
Net OPEB liability	(2,344,030)	
Accreted Interest on General Obligation Bonds Payable	(114,248,586)	
Compensated absences payable	(645,090)	
Capital leases payable	(246,348)	
Net Pension Liability	<u>(171,388,016)</u>	
		(894,313,344)

Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension and OPEB are reported.

Deferred outflows of resources relating to pensions		86,004,085
Deferred inflows of resources relating to pensions		(35,266,169)
Deferred outflows of resources relating to OPEB		65,401
Deferred inflows of resources relating to OPEB		<u>(774,352)</u>

Total net position, governmental activities: \$ (121,038,224)

SAN MATEO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Building Fund	Bond Interest And Redemption Fund	All Non-Major Funds	Total
REVENUES					
LCFF sources	\$ 159,888,558	\$ -	\$ -	\$ -	\$ 159,888,558
Federal revenue	2,422,949	-	-	1,400,574	3,823,523
Other state revenues	10,357,615	-	109,750	5,138,312	15,605,677
Other local revenues	6,942,619	6,788,496	41,818,844	2,559,517	58,109,476
Total revenues	<u>179,611,741</u>	<u>6,788,496</u>	<u>41,928,594</u>	<u>9,098,403</u>	<u>237,427,234</u>
EXPENDITURES					
Certificated salaries	69,398,034	-	-	2,556,858	71,954,892
Classified salaries	30,683,160	15,386	-	2,370,346	33,068,892
Employee benefits	45,534,258	1,762	-	2,115,711	47,651,731
Books and supplies	5,745,782	99,436	-	762,898	6,608,116
Services and other operating expenditures	19,353,820	4,148,165	-	820,362	24,322,347
Capital outlay	554,121	16,476,904	-	-	17,031,025
Other outgo	4,409,647	-	-	80,193	4,489,840
Debt service, principle	-	-	15,872,463	-	15,872,463
Debt service, interest	-	-	19,607,859	-	19,607,859
Total expenditures	<u>175,678,822</u>	<u>20,741,653</u>	<u>35,480,322</u>	<u>8,706,368</u>	<u>240,607,165</u>
Excess (deficiency) of revenues over expenditures	<u>3,932,919</u>	<u>(13,953,157)</u>	<u>6,448,272</u>	<u>392,035</u>	<u>(3,179,931)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	2,921,906	-	1,333,355	4,255,261
Operating transfers out	(4,255,261)	-	-	-	(4,255,261)
Other sources	21,506	96,250,000	57,175,000	-	153,446,506
Other uses	-	-	(57,175,000)	-	(57,175,000)
Total other financing sources (uses)	<u>(4,233,755)</u>	<u>99,171,906</u>	<u>-</u>	<u>1,333,355</u>	<u>96,271,506</u>
Net change in fund balances	(300,836)	85,218,749	6,448,272	1,725,390	93,091,575
Fund balances, July 1, 2019	<u>29,956,948</u>	<u>74,317,099</u>	<u>33,899,020</u>	<u>23,321,062</u>	<u>161,494,129</u>
Fund balances, June 30, 2020	<u>\$ 29,656,112</u>	<u>\$ 159,535,848</u>	<u>\$ 40,347,292</u>	<u>\$ 25,046,452</u>	<u>\$ 254,585,704</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds \$ 93,091,575

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 17,112,301	
Depreciation expense:	<u>(29,751,115)</u>	(12,638,814)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 64,542,395

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from were: (153,425,000)

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds and bond anticipation notes is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest incurred exceeded amounts paid during the year by: (10,712,963)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 51,842

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (97,992)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and actual employer contributions was: 10,306

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (4,302,817)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:

Premium on new debt issue in current year	\$ (4,828,309)	
Deferred loss on debt refunding in current year	8,797,909	
Discount on debt issue in current year	160,090	
Amortization of deferred inflows relating to loss from debt refunding	(2,217,051)	
Amortization of deferred outflows relating to debt issue discount	(36,208)	
Amortization of deferred outflows relating to debt issue premium	<u>4,117,051</u>	
		<u>5,993,482</u>

Total change in net position - governmental activities \$ (17,487,986)

SAN MATEO UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

JUNE 30, 2020

	Student Body Funds
ASSETS	
Cash and cash equivalents	\$ 1,292,074
Interest receivable	<u>12,979</u>
Total assets	<u><u>\$ 1,305,053</u></u>
LIABILITIES	
Due to student groups	\$ 1,300,027
Accounts payable	<u>5,026</u>
Total liabilities	<u><u>\$ 1,305,053</u></u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Mateo Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. REPORTING ENTITY

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Mateo Union High School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The San Mateo Union High School District Building Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position are further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

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

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

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

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

D. FUND ACCOUNTING (Continued)

The District funds are as follows:

Major Governmental Funds:

The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects. The Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources, and does not meet the definition of a special revenue fund under GASB 54; therefore, activity in the fund is being reported within the General Fund.

The **Building Fund** exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

The **Bond Interest and Redemption Fund** is used for the repayment of bonds issued for a district (Education Code Sections 15125-15262).

Non-Major Governmental Funds:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

The **Adult Education Fund** is used to account separately for Federal, State, and local revenues to operate adult education programs and is to be used only for expenditures for the operation of adult education programs.

The **Cafeteria Fund** is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

The **Deferred Maintenance Fund** is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

The **Foundation Special Revenue fund** is used to account for resources received from local donations.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

D. FUND ACCOUNTING (Continued)

The **Capital Project Funds** are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The **Capital Facilities Fund** is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

The **Special Reserve Fund for Capital Outlay Projects Fund** is used to account for funds set aside for Board designated construction projects.

The **Foundation Permanent Fund** is used to account for permanently restricted funds.

Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category includes Trust and agency funds. The District maintains the following fiduciary fund:

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include Associate Student Body that accounts for student body activities (ASB) and Foundation Fund. The District uses agency funds for student body funds to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body. These funds' activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

E. BUDGETS AND BUDGETARY ACCOUNTING

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

During the year, budget revisions by the District's governing board and district superintendent give consideration to unanticipated revenue and expenditures. The final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budgets are revised during the year by the District's Board of Education and District Superintendent to provide for unanticipated revenues and expenditures.

F. ENCUMBRANCES

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

G. REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

H. UNEARNED REVENUE

Unearned Revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

I. EXPENSES/EXPENDITURES

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

J. INVESTMENT VALUATION AND INCOME RECOGNITION

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

K. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

L. INVESTMENTS

Investments held at June 30, 2020, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

M. RECEIVABLES

Receivables consist of amounts due from the federal and state governments related to federal and state programs. The District has not established an allowance for doubtful accounts, due to the nature of these accounts. However, management continually monitors the accounts for collectability. The District does not charge interest on past due accounts.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

N. STORES INVENTORIES

Inventories in the General Fund consist mainly of consumable supplies held for future use. Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

O. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of \$25,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expenses as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and Improvements	20 - 50 years
Furniture and Equipment	2 - 15 years
Vehicles	7 years

P. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

Q. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

R. LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

S. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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

T. FUND BALANCE

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g. inventories and prepaids) or that are legally or contractually required to be maintained intact. The District has classified its revolving cash account as being nonspendable as it is required to be maintained intact.

Restricted: This classification includes amounts constrained to specific purposes by their providers or by law. The District has classified federal and state categorical programs as being restricted because their use is restricted by Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants.

Committed: This classification includes amounts constrained to specific sources by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

Assigned: This classification includes amounts which the Board or its designee intends to use for a specific purpose but are neither restricted nor committed. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: This classification represents fund balance that has not been restricted, committed, or assigned and may be utilized by the district for any purpose.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

U. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

V. RESTRICTED NET POSITION

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions on special revenues and capital projects represent the portion of net position for the special revenue and capital projects funds. The restriction for debt service represents the amount to be used for the repayment of long-term liabilities. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

W. OPERATING REVENUES AND EXPENSES

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

X. INTERFUND ACTIVITY

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Y. ESTIMATES

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

Z. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

AA. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Mateo Union High School District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. 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.

BB. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the District's 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 the District's plan and additions to/deductions from the District Plan's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB plan. For this purpose, the District's plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

CC. MINIMUM FUND BALANCE POLICY

Pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures.

The Board of Trustees directs the maintenance of no less than a 12 percent Unrestricted General Fund Reserve for Economic Uncertainty. The Unrestricted General Fund Reserve for Economic Uncertainty will be composed of two elements:

- The first element will be composed of a 3% Unrestricted Reserve for Economic Uncertainty, and will be categorized as basic reserve and will align to the level set by the State for the Unrestricted Reserve for Economic Uncertainty.
- The second element will be composed of a 9% Unrestricted Strategic Reserve for Economic Uncertainty.

The total 12 percent Unrestricted General Fund Reserve for Economic Uncertainty will be achieved over a period of time by incrementally growing the unrestricted reserve. The Board intends to adjust its Unrestricted General Fund Reserve for Economic Uncertainty to align to a level comparable to other basic aid school districts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

DD. PROPERTY TAX CALENDAR

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

2. CASH AND EQUIVALENTS

Cash at June 30, 2020 consisted of the following:

	Governmental Activities	Fiduciary Activities	Total
Cash in county treasury	\$ 260,184,774	\$ 1,292,074	\$ 261,476,848
Cash with fiscal agent	156,609	-	156,609
Cash in revolving fund	20,000	-	20,000
Cash on hand and in banks	1,000	-	1,000
Total Cash and Cash Equivalents	\$ 260,362,383	\$ 1,292,074	\$ 261,654,457

Cash in Bank and Revolving Funds

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Mateo County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the San Mateo County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the San Mateo County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 1.75 years. The pool is rated AA by Standard and Poor's.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

2. CASH AND EQUIVALENTS (CONTINUED)

Investments, including derivative instruments that are not hedging derivatives, 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.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in anyone issuer. At June 30, 2020, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables

As of June 30, 2020, the interfund receivable and payable balances were as follows:

	Interfund Receivables	Interfund Payables
Major Fund		
General Fund	\$ 97,862	\$ 1,713
Building Fund	31,822	17,568
Non-major Funds		
Adult Education Fund	-	101
Cafeteria Fund	1,713	80,193
Deferred Maintenance Fund	-	1,612
Foundation Permanent Fund	-	2,500
Capital Facilities Fund	-	27,710
	\$ 131,397	\$ 131,397
Total		

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

3. INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2019-2020 fiscal year are as follows:

Transfer from General Fund to the Cafeteria Fund for direct support of student nutrition services	\$ 675,754
Transfer from General Fund to the Building Fund for Burlingame pool, deferred maintenance and security cameras.	2,921,906
Transfer from General Fund to the Special Reserve Fund for Capital Outlay Projects to set aside funds for mental health program.	<u>657,601</u>
Total transfers	<u><u>\$ 4,255,261</u></u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is shown below:

	Balance July 1, 2019	Additions / Transfers In	Deletions / Transfers Out	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 3,693,384	\$ -	\$ -	\$ 3,693,384
Work in Progress	10,897,277	16,451,951	2,546,570	24,802,658
	<u>14,590,661</u>	<u>16,451,951</u>	<u>2,546,570</u>	<u>28,496,042</u>
Depreciable assets:				
Buildings	224,580,715	-	-	224,580,715
Improvement of Sites	577,343,429	2,652,798	-	579,996,227
Equipment	9,833,822	554,122	-	10,387,944
	<u>811,757,966</u>	<u>3,206,920</u>	<u>-</u>	<u>814,964,886</u>
Totals, at cost	<u>826,348,627</u>	<u>19,658,871</u>	<u>2,546,570</u>	<u>843,460,928</u>
Accumulated depreciation:				
Buildings	(142,097,630)	(2,461,036)	-	(144,558,666)
Improvement of Sites	(159,553,434)	(26,859,694)	-	(186,413,128)
Equipment	(4,882,506)	(430,385)	-	(5,312,891)
	<u>(306,533,570)</u>	<u>(29,751,115)</u>	<u>-</u>	<u>(336,284,685)</u>
Depreciable assets, net	<u>505,224,396</u>	<u>(26,544,195)</u>	<u>-</u>	<u>478,680,201</u>
Capital Assets, net	<u>\$ 519,815,057</u>	<u>\$ (10,092,244)</u>	<u>\$ 2,546,570</u>	<u>\$ 507,176,243</u>

The entire amount of depreciation expense was unallocated in the Statement of Activities.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

The changes in the District's long-term obligations during the year consisted of the following:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Amounts Due Within One Year
General Obligation Bonds					
Principal amount	\$ 516,484,382	\$ 153,425,000	\$ 64,468,108	\$ 605,441,274	\$ 16,955,330
Accreted interest	103,535,623	14,400,499	3,687,536	114,248,586	4,159,671
Capital Leases Payable	320,635	-	74,287	246,348	74,287
Net OPEB Liability	2,992,695	-	648,665	2,344,030	-
Net Pension Liability	164,436,717	6,951,299	-	171,388,016	-
Accumulated Vacation	547,098	97,992	-	645,090	-
Subtotal	<u>788,317,150</u>	<u>174,874,790</u>	<u>68,878,596</u>	<u>894,313,344</u>	<u>21,189,288</u>
Unamortized General Obligation					
Bond Premium	40,911,856	4,828,309	4,117,051	41,623,114	-
Unamortized Bond Discount	(672,547)	(160,090)	(36,208)	(796,429)	-
Unamortized Loss on Refunding	<u>(5,204,622)</u>	<u>(8,797,909)</u>	<u>(2,217,051)</u>	<u>(11,785,480)</u>	-
Total Long-Term Obligation	<u>\$ 823,351,837</u>	<u>\$ 170,745,100</u>	<u>\$ 70,742,388</u>	<u>\$ 923,354,549</u>	<u>\$ 21,189,288</u>

General Obligation Bonds

Measure D

An election was held on November 7, 2000, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$137.5 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were for the purpose of constructing a number of projects within the District.

Measure M

An election was held on November 7, 2006, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$298 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and to pay costs of issuance associated with the bonds.

A portion of the bonds, issued as Series 2010B, were designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2010B Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

Measure O

On November 2, 2010, an election was held of the registered voters of the District, at which more than fifty five percent of the voters voting on the proposition approved the issuance and sale of \$186 million principal amount of General Obligation Bonds. The bonds are being issued to 1) prepay the District's 2007 Certificates of Participation, 2) to finance the costs of renovating, acquiring, constructing, repairing, and equipping of District buildings and other facilities and 3) to pay certain costs of issuance associated with the bonds.

2012 General Obligation Refunding Bonds, Series A

On February 13, 2012, the District issued \$10,835,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 4.0 percent with annual maturities from September 2012 through September 2022. The net proceeds of \$12,205,678 (after issuance costs of \$141,341 and original issue premium of \$1,512,020) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2000, Series C.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on the refunding of \$182,047 remain to be amortized. As of June 30, 2020, the entire amount has been repaid on the defeased debt.

2012 General Obligation Refunding Bonds, Series B

On November 7, 2012, the District issued \$38,940,000 of General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 0.478 to 3.22 percent with annual maturities from September 2013 through September 2024. The net proceeds of \$38,615,677 (after issuance costs of \$188,033 and underwriter's discount of \$136,290) were used to refund a portion of the District's outstanding General Obligation Bonds, 2004 Refunding.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. No deferred amounts on refunding remain to be amortized.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

2014 Refunding General Obligation Bonds

On November 13, 2014, the District issued \$50,190,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from September 1, 2015 through September 1, 2032. The net proceeds of \$60,583,437 (after premiums of \$10,751,678 and issuance costs of \$358,241) were used to prepay a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2008 A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2020, of \$31,151 remain to be amortized for this refunding.

2016 General Obligation Refunding Bonds (2021 Crossover)

On March 24, 2016, the District issued \$12,550,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from September 1, 2022 through September 1, 2034. The net proceeds of \$13,315,388 (after premiums of \$946,493 and issuance costs of \$181,105) were used to prepay a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2011 A and Election of 2010 General Obligation Bonds, Series 2011 A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2020, of \$316,526 remain to be amortized for this refunding.

The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$362,210.

2016 General Obligation Refunding Bonds

On August 23, 2016, the District issued \$139,920,000 of General Obligation Refunding Bonds, Series B (\$38,380,000), Series C (\$58,530,000), Series D (\$12,000,000) and Series E (\$22,010,000). The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from September 1, 2017 through September 1, 2041. The net proceeds of \$152,482,533 (after premiums of \$22,303,307 and issuance costs of \$740,774) were used to prepay a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2013 A, Series 2010 and Series 2012 A and Election of 2010 General Obligation Bonds, Series 2011 A and 2013 A.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2020, of \$802,505 remain to be amortized for this refunding.

2017 General Obligation Refunding Bonds

On December 12, 2017, the District issued \$41,930,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.687% and 3.5% with annual maturities from September 1, 2018 through September 1, 2042. The net proceeds of \$40,877,099 (after discount of \$731,671 and issuance costs of \$321,230) were used to advance refund a portion of the District's outstanding Election of 2010 General Obligation Bonds, Series 2011A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2020, of \$4,507,645 remain to be amortized for this refunding.

2019 General Obligation Refunding Bonds

On August 13, 2019, the District issued \$57,175,000 of 2019 General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.994% and 3.282% with annual maturities from September 1, 2019 through September 1, 2041. The net proceeds are being issued to (i) advance refund a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series 2013A, (ii) advance refund the District's outstanding Election of 2010 General Obligation Bonds, Series 2013A, and (iii) pay the costs of issuing the Bonds.

Measure L

On March 3, 2020, an election was held for Measure L of the registered voters of the District, at which more than fifty-five percent of the voters voting on the proposition approved the issuance and sale of \$385 million principal amount of General Obligation Bonds. The bonds are being issued to finance the costs of renovating, acquiring, constructing, repairing and equipping of District buildings and other facilities and to pay certain costs of issuance associated with the bonds.

Measure L issued 2020 series A bonds on June 10, 2020 in the amount of \$96,250,000.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Advance Refunding	Balance, June 30, 2020
Measure D:									
2000B	7/24/2002	2027	2.0% - 5.69%	\$ 49,996,152	\$ 19,198,120	\$ -	\$ 2,316,611	\$ -	\$ 16,881,509
2000C	3/4/2004	2029	2.0% - 5.32%	27,503,798	12,658,798	-	-	-	12,658,798
Measure M:									
2008A	6/18/2008	2032	4.0% - 5.0%	62,700,000	-	-	-	-	-
2010A	2/17/2010	2018	5.0% - 5.5%	4,890,000	-	-	-	-	-
2010B	2/17/2010	2034	4.6% - 6.15%	65,110,000	2,430,000	-	1,100,000	-	1,330,000
2011A	7/6/2011	2051	2.0% - 7.0%	34,999,364	24,713,922	-	-	-	24,713,922
2011A-1	7/14/2011	2027	5.01%	25,000,000	17,360,000	-	1,530,000	-	15,830,000
2012A	2/13/2012	2039	4.0% - 12.0%	10,895,752	187,402	-	20,708	-	166,694
2013A	12/20/2013	2031	4.0% - 5.0%	94,400,576	54,076,562	-	3,105,000	30,655,000	20,316,562
Measure O:									
2011A	6/15/2011	2041	2.23% - 6.7%	89,999,989	51,063,933	-	235,144	-	50,828,789
2013A	12/20/2013	2041	4.0% - 5.0%	39,999,941	17,940,645	-	-	17,940,645	-
2015A	5/19/2015	2034	2.0% - 5.0%	56,000,000	53,370,000	-	115,000	-	53,255,000
Measure L:									
2020A	6/10/2020	2047	1.875%-4.0%	96,250,000	-	96,250,000	-	-	96,250,000
Refunding Issues:									
2012A	2/13/2012	2022	2.0% - 4.0%	10,835,000	6,300,000.00	-	1,350,000	-	4,950,000
2012B	11/7/2012	2024	0.478% - 3.22%	38,940,000	23,160,000	-	3,625,000	-	19,535,000
2014	11/13/2014	2032	2.0% - 5.0%	50,190,000	49,545,000	-	1,315,000	-	48,230,000
2016	3/24/2016	2035	2.0% - 5.0%	12,550,000	12,550,000	-	-	-	12,550,000
2017B	9/1/2016	2042	2.0% - 4.0%	38,380,000	37,980,000	-	110,000	-	37,870,000
2017C	9/1/2016	2034	4.0% - 5.0%	58,530,000	58,530,000	-	-	-	58,530,000
2017D	9/1/2016	2039	2.0% - 4.0%	12,000,000	12,000,000	-	-	-	12,000,000
2017E	9/1/2016	2041	2.0% - 4.0%	22,010,000	22,010,000	-	-	-	22,010,000
2017F	11/14/2017	2042	2.0% - 4.0%	41,930,000	41,410,000	-	-	-	41,410,000
2019	7/17/2019	2041	1.994%-3.282%	57,175,000	-	57,175,000	1,050,000	-	56,125,000
				<u>\$ 1,000,285,572</u>	<u>\$ 516,484,382</u>	<u>\$ 153,425,000</u>	<u>\$ 15,872,463</u>	<u>\$ 48,595,645</u>	<u>\$ 605,441,274</u>
				Accreted Interest	Balance, July 1, 2019	Additions	Deductions	Advance Refunding	Balance, June 30, 2020
Measure M:									
2000B				\$ 29,585,716	\$ 2,659,059	\$ 3,523,388	\$ -	\$ -	\$ 28,721,387
2000C				15,136,529	1,497,057	-	-	-	16,633,586
2011A				18,157,601	3,163,648	-	-	-	21,321,249
2012A				1,634,871	287,226	-	4,292	-	1,917,805
2013A				920,962	199,493	-	-	-	1,120,455
Measure O:									
2011A				36,017,442	6,125,490	-	159,856	-	41,983,076
2013A				2,082,502	468,526	-	-	-	2,551,028
				<u>\$ 103,535,623</u>	<u>\$ 14,400,499</u>	<u>\$ 3,687,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,248,586</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2020, are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 16,955,330	\$ 29,004,787	\$ 45,960,117
2022	24,469,932	27,116,215	51,586,147
2023	28,658,775	26,643,927	55,302,702
2024	32,641,470	27,470,813	60,112,283
2025	21,762,346	29,143,126	50,905,472
2025-2030	132,206,080	134,534,170	266,740,250
2031-2035	151,773,312	114,724,714	266,498,026
2036-2040	72,771,658	155,009,096	227,780,754
2041-2045	87,870,343	99,718,645	187,588,988
2046-2050	29,824,381	63,724,167	93,548,548
2051-2052	6,507,647	27,915,985	34,423,632
Total	<u>\$ 605,441,274</u>	<u>\$ 735,005,645</u>	<u>\$ 1,340,446,919</u>

The annual requirements to amortize the capital lease payable as of June 30, 2020 are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 78,071	\$ 10,869	\$ 88,940
2022	82,049	6,891	88,940
2023	86,228	2,711	88,940
Total	<u>\$ 246,348</u>	<u>\$ 20,472</u>	<u>\$ 266,820</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>CalPERS</u>		<u>CalSTRS</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	7%	10.25%	10.205%
Required employer contribution rates	19.721%	19.721%	17.10%	17.10%

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans 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. San Mateo Union High School District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plan were:

	CalPERS	STRS	Total
Contributions - employer	\$ 6,089,060	\$ 20,265,896	\$ 26,354,956
On behalf contributions - state	-	8,368,533	8,368,533
Total	\$ 6,089,060	\$ 28,634,429	\$ 34,723,489

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

As of June 30, 2020, San Mateo Union High School District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	Proportionate Share of Net Pension Liability
CalPERS	\$ 61,422,330
STRS	109,965,686
Total Net Pension Liability	\$ 171,388,016

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

San Mateo Union High School District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. San Mateo Union High School District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

Measurement Dates	Fiscal Year	CalPERS	STRS
June 30, 2018	2018-19	0.20463%	0.11955%
June 30, 2019	2019-20	<u>0.21075%</u>	<u>0.12176%</u>
Change - Increase (Decrease)		<u>0.00613%</u>	<u>0.00220%</u>

For the year ended June 30, 2020, the District recognized pension expense of \$8,840,124 and (\$4,537,308) for CalPERS and STRS, respectively. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS		STRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,089,060	\$ -	\$ 28,634,429	\$ -	\$ 34,723,489	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2018-19	-	1,271,871	-	11,257,030	-	12,528,901
Changes of Assumptions	6,669,552	139,853	35,177,397	-	41,846,949	139,853
Differences between Expected and Actual Experience	5,587,426	-	702,163	6,181,494	6,289,589	6,181,494
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	2,492,614	1,541,238	8,353,676	1,541,238	10,846,290
Net differences between projected and actual investment earnings on pension plan investments	1,602,820	-	-	5,569,631	1,602,820	5,569,631
Total	<u>\$ 19,948,858</u>	<u>\$ 3,904,338</u>	<u>\$ 66,055,227</u>	<u>\$ 31,361,831</u>	<u>\$ 86,004,085</u>	<u>\$ 35,266,169</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	CalPERS	STRS	Total Deferred Outflows/ (Inflows) of Resources
2021	\$ 5,571,945	\$ (307,439)	\$ 5,264,506
2022	3,185,320	579,084	3,764,404
2023	1,190,629	1,787,402	2,978,031
2024	7,566	2,873,331	2,880,897
2025	-	1,182,472	1,182,472
Thereafter	-	(55,882)	(55,882)
Total	\$ 9,955,460	\$ 6,058,968	\$ 16,014,428

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS	STRS
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

⁽¹⁾ Net of pension plan investment expenses, including inflation

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

CalPERS

The discount rate used to measure the total pension liability for the Plan was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out for the Plan. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalPERS			
Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10^(a)	Real Return Years 11+^(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

^(a) An expected inflation of 2.00% used for this period

^(b) An expected inflation of 2.92% used for this period

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

STRS

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from STRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, STRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class are summarized in the table below:

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return^(a)
Global Equity	47.0%	4.80%
Fixed Income	12.0%	1.30%
Real Estate	13.0%	3.60%
Private Equity	13.0%	6.30%
Risk Mitigating Strategies	9.0%	1.80%
Inflation Sensitive	4.0%	3.30%
Cash/Liquidity	2.0%	-0.40%
Total	100%	

^(a) 20-year average

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 88,536,250	\$ 61,422,330	\$ 38,929,460
	STRS		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 163,748,009	\$ 109,965,686	\$ 65,369,898

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2020.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description. The District's defined benefit OPEB plan provides OPEB for all full time employees of the District with a minimum of 10 years of service. The plan is a single-employer defined benefit OPEB plan administered by the District. The Board of Trustees has the authority to establish and amend the benefit terms.

Benefits provided. The District provides postemployment health care benefits as follows:

	<u>Certificated</u>	<u>Classified</u>	<u>Certificated Management</u>	<u>Classified Management</u>
Benefit Types Provided	Medical	Medical	Medical	Medical
Duration of Benefits	10 years but not beyond age 65	10 years but not beyond age 65	10 years but not beyond age 65	10 years but not beyond age 65
Required Service	10 years	15 years	10 years	10 years
Minimum Age	Retirement	Retirement	Retirement	Retirement
Dependent Coverage	Spouse	Spouse	Spouse	Spouse
District Contribution Percent	100% to cap	100% to cap	100% to cap	100% to cap
District Cap	\$250 per month	\$250 per month	\$250 per month	\$250 per month

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>955</u>
	<u>971</u>

Contributions. The Board of Trustees has the authority to establish and amend the contribution requirements of the District and employees. For the year ended June 30, 2020, the District paid \$92,914 for retiree health benefits. Employees are not required to contribute to the plan.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	2.75%
Investment rate of return	2.20%
Healthcare cost trend rate	4.00%

The discount rate of 2.20% was based on the Bond Buyer 20 Bond Index. There are currently no plan assets.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 2,992,695	\$ -	\$ 2,992,695
Changes for the year:			
Service cost	166,717	-	166,717
Interest	106,036	-	106,036
Differences between expected and actual experience	(142,628)	-	(142,628)
Assumption changes	(685,876)	-	(685,876)
Contributions - employer	-	92,914	(92,914)
Net investment income	-	-	-
Benefit payments	(92,914)	(92,914)	-
Administrative expense	-	-	-
Net changes	<u>(648,665)</u>	<u>-</u>	<u>(648,665)</u>
Balances at June 30, 2020	<u>\$ 2,344,030</u>	<u>\$ -</u>	<u>\$ 2,344,030</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.2 percent) or 1-percentage-point higher (3.2 percent) than the current discount rate:

	1% Decrease (1.2%)	Discount Rate (2.2%)	1% Increase (3.2%)
Net OPEB liability (asset)	\$ 2,492,257	\$ 2,344,030	\$ 2,199,391

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current healthcare cost trend rates:

	1% Decrease (3%)	Healthcare Cost Trend Rates (4%)	1% Increase (5%)
Net OPEB liability (asset)	\$ 2,277,837	\$ 2,344,030	\$ 2,417,118

OPEB plan fiduciary net position. There are currently no assets in the plan as there is no separate trust.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$10,306. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (133,305)
Changes of assumptions	65,401	(641,047)
Total	\$ 65,401	\$ (774,352)

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

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2021	\$ (48,961)
2022	(48,961)
2023	(48,961)
2024	(48,961)
2025	(48,961)
Thereafter	(464,146)
Total	\$ (708,951)

Payable to the OPEB Plan

At June 30, 2020, the District reported no outstanding amount of contributions to the Plan.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

8. FUND BALANCE

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The following schedule is a summary of the components of the ending fund balance by fund type at June 30, 2020:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Funds	Total
Nonspendable:					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventories	44,276	-	-	-	44,276
Prepaid expenditures	1,348,556	-	-	-	1,348,556
Total Nonspendable	<u>1,412,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,832</u>
Restricted for:					
Classified School Employee Professional					
Development Block Grant	19,670	-	-	-	19,670
Low-Performing Students Block Grant	45,243	-	-	-	45,243
Lottery: Instructional Materials	114,670	-	-	-	114,670
CalWORKs for ROCP or Adult Education	-	-	-	71,388	71,388
Adult Education Block Grant Program	-	-	-	220,346	220,346
Other Restricted Local	-	9,022,314	-	2,488,741	11,511,055
Child Nutrition: School Programs	-	-	-	576,236	576,236
Debt Service	-	-	40,347,292	-	40,347,292
Total Restricted	<u>179,583</u>	<u>9,022,314</u>	<u>40,347,292</u>	<u>3,356,711</u>	<u>52,905,900</u>
Committed:					
Tier I Basic Aid Reserve	8,097,033	-	-	-	8,097,033
Tier II Basic Aid Reserve	8,097,033	-	-	-	8,097,033
2019-20 Carryover	1,029,166	-	-	-	1,029,166
2020-21 Deficit	18,017	-	-	-	18,017
Other Commitments	6,087,413	150,513,534	-	21,689,741	178,290,688
Total Committed	<u>23,328,662</u>	<u>150,513,534</u>	<u>-</u>	<u>21,689,741</u>	<u>195,531,937</u>
Unassigned:					
Economic Uncertainties	5,398,023	-	-	-	5,398,023
Unassigned/Unappropriated	(662,988)	-	-	-	(662,988)
Total Unassigned	<u>4,735,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,735,035</u>
Total	<u>\$ 29,656,112</u>	<u>\$ 159,535,848</u>	<u>\$ 40,347,292</u>	<u>\$ 25,046,452</u>	<u>\$ 254,585,704</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

9. JOINT VENTURES

The San Mateo Union High School District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the San Mateo Union High School District and the JPA is such that the JPA is not a component unit of the San Mateo Union High School District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information for the year ended June 30, 2020, is as follows:

	<u>SMCSIG</u>
Total Assets	<u>\$ 30,122,943</u>
Deferred Outflows of Resources	<u>399,381</u>
Total Liabilities	<u>10,321,639</u>
Deferred Inflows of Resources	<u>92,715</u>
Net Position	<u>\$ 20,107,970</u>
Total Revenues	\$ 47,186,957
Total Expenditures	<u>(42,682,077)</u>
Change in Net Postion	<u>\$ 4,504,880</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

10. COMMITMENTS AND CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursement subsequently determined will not have a material effect on the District's financial position.

11. RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District participated in the SMCSIG public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. WORKERS COMPENSATION

For fiscal year 2019-20, the District participated in the SMCSIG public entity risk pool for workers compensation, with excess commercial coverage provided by Arch Insurance Company.

C. EMPLOYEE MEDICAL BENEFITS

Dental and vision benefits are provided through the SMCSIG public entity risk pool.

12. SUBSEQUENT EVENTS

In August 2020, the District entered into a Tax and Revenue Anticipatory Note (TRANs) for \$13,420,000. The interest rate is 4% and matures June 30, 2021. As of the report date, the District had not drawn down any funds from the note.

The District's management evaluated its June 30, 2020 financial statements for subsequent events through November 23, 2020, the date the financial statements were available to be issued. Management is not aware of any other subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF sources	\$ 156,400,181	\$ 159,534,446	\$ 159,888,558	\$ 354,112
Federal revenue	2,787,821	3,118,044	2,422,949	(695,095)
Other state revenues	9,092,559	9,952,783	10,357,615	404,832
Other local revenues	5,584,013	7,661,775	6,942,619	(719,156)
Total revenues	<u>173,864,574</u>	<u>180,267,048</u>	<u>179,611,741</u>	<u>(655,307)</u>
EXPENDITURES				
Certificated salaries	69,675,958	69,526,195	69,398,034	128,161
Classified salaries	30,851,658	30,771,608	30,683,160	88,448
Employee benefits	45,517,935	44,417,851	45,534,258	(1,116,407)
Books and supplies	6,508,899	8,017,065	5,745,782	2,271,283
Services and other operating expenditures	15,545,164	20,581,836	19,353,820	1,228,016
Capital outlay	550,000	555,025	554,121	904
Other outgo	4,571,364	4,469,647	4,409,647	60,000
Total expenditures	<u>173,220,978</u>	<u>178,339,227</u>	<u>175,678,822</u>	<u>2,660,405</u>
Excess (deficiency) of revenues over expenditures	643,596	1,927,821	3,932,919	2,005,098
OTHER FINANCING SOURCES (USES)				
Operating transfers in	500,000	-	-	-
Operating transfers out	(3,696,906)	(4,254,507)	(4,255,261)	(754)
Other sources	-	21,506	21,506	-
Total other financing sources (uses)	<u>(3,196,906)</u>	<u>(4,233,001)</u>	<u>(4,233,755)</u>	<u>(754)</u>
Net change in fund balances	(2,553,310)	(2,305,180)	(300,836)	2,004,344
Fund balances, July 1, 2019	<u>29,956,948</u>	<u>29,956,948</u>	<u>29,956,948</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ 27,403,638</u>	<u>\$ 27,651,768</u>	<u>\$ 29,656,112</u>	<u>\$ 2,004,344</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
	(1)	(1)	(1)	(1)	(1)	(1)
CalPERS						
Proportion of the net pension liability (asset)	0.17824%	0.18521%	0.18479%	0.19903%	0.20463%	0.21075%
Proportionate share of the net pension liability (asset)	\$ 20,235,018	\$ 27,300,522	\$ 36,496,554	\$ 47,513,456	\$ 54,559,869	\$ 61,422,330
Covered payroll ⁽²⁾	\$ 18,188,183	\$ 20,373,259	\$ 18,911,499	\$ 22,695,190	\$ 23,208,050	\$ 26,735,718
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%	229.74%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 2,140,931	\$ 2,413,620	\$ 2,626,429	\$ 3,524,790	\$ 4,191,838	\$ 5,272,551
STRS						
Proportion of the net pension liability (asset)	0.11457%	0.11719%	0.11438%	0.11300%	0.11955%	0.12176%
Proportionate share of the net pension liability (asset)	\$ 66,950,663	\$ 78,893,947	\$ 92,515,407	\$ 104,506,132	\$ 109,876,848	\$ 109,965,686
Covered payroll ⁽²⁾	\$ 47,409,009	\$ 45,013,458	\$ 48,622,814	\$ 52,213,021	\$ 56,407,586	\$ 62,306,667
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%	176.49%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 4,209,920	\$ 4,829,944	\$ 6,116,750	\$ 7,534,339	\$ 9,183,155	\$ 10,654,440

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered payroll is the payroll on which contributions to a pension plan are based.

(3) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CalPERS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 2,140,931	\$ 2,413,620	\$ 2,626,429	\$ 3,524,790	\$ 4,191,838	\$ 5,272,551
Contributions in relation to the contractually required contribution ⁽²⁾	<u>(2,184,216)</u>	<u>(2,628,697)</u>	<u>(3,493,497)</u>	<u>(3,888,696)</u>	<u>(5,318,906)</u>	<u>(6,089,060)</u>
Contribution deficiency (excess)	<u>\$ (43,285)</u>	<u>\$ (215,077)</u>	<u>\$ (867,068)</u>	<u>\$ (363,906)</u>	<u>\$ (1,127,068)</u>	<u>\$ (816,509)</u>
Covered payroll ⁽³⁾	\$ 18,188,183	\$ 20,373,259	\$ 18,911,499	\$ 22,695,190	\$ 23,208,050	\$ 26,735,718
Contributions as a percentage of covered payroll ⁽³⁾	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%
STRS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 4,209,920	\$ 4,829,944	\$ 6,116,750	\$ 7,534,339	\$ 9,183,155	\$ 10,654,440
Contributions in relation to the contractually required contribution ⁽²⁾	<u>(4,226,011)</u>	<u>(6,138,654)</u>	<u>(7,678,654)</u>	<u>(8,784,508)</u>	<u>(10,945,270)</u>	<u>(20,265,896)</u>
Contribution deficiency (excess)	<u>\$ (16,091)</u>	<u>\$ (1,308,710)</u>	<u>\$ (1,561,904)</u>	<u>\$ (1,250,169)</u>	<u>\$ (1,762,115)</u>	<u>\$ (9,611,456)</u>
Covered payroll ⁽³⁾	\$ 47,409,009	\$ 45,013,458	\$ 48,622,814	\$ 52,213,021	\$ 56,407,586	\$ 62,306,667
Contributions as a percentage of covered payroll ⁽³⁾	8.880%	10.730%	12.580%	14.430%	16.280%	17.100%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered payroll is the payroll on which contributions to a pension plan are based.

SAN MATEO UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 151,046	\$ 155,200	\$ 166,717
Interest	99,623	97,554	106,036
Changes of benefit terms	-	-	-
	-	-	(142,628)
Changes of assumptions	-	75,783	(685,876)
Benefit payments	(87,488)	(90,988)	(92,914)
Net change in total OPEB liability	163,181	237,549	(648,665)
Total OPEB liability - beginning	2,591,965	2,755,146	2,992,695
Total OPEB liability - ending (a)	\$ 2,755,146	\$ 2,992,695	\$ 2,344,030
Plan fiduciary net position			
Contributions - employer	\$ 87,488	\$ 90,988	\$ 92,914
Net investment income	-	-	-
Benefit payments	(87,488)	(90,988)	(92,914)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
District's net OPEB liability - ending (a) - (b)	\$ 2,755,146	\$ 2,992,695	\$ 2,344,030
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered-employee payroll	\$74,908,211	\$79,615,636	\$89,042,385
District's net OPEB liability as a percentage of covered-employee payroll	4%	4%	3%

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PURPOSE OF SCHEDULES

A - Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund

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

B - Schedule of Proportionate Share of the Net Pension Liability

Changes in assumptions

There were no changes of assumptions.

Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

C - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

D - Schedule of Changes in the Net OPEB Liability and Related Ratios

Benefit Changes

There were no changes in benefits during the year.

Changes in assumptions

There were no changes of assumptions.

Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Actuarial cost method	Entry age
Amortization method	Level percent of pay
Amortization period	30 years
Asset valuation method	Fair value
Healthcare cost trend rates	4.00%
Salary increases	2.75%
Investment rate of return	2.20%

Retirement age

Certificated	2020 CalSTRS 2.0%@60 Rates
	The retirement assumptions are based on the 2020 CalSTRS 2.0%@60 Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Classified	2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees
	The retirement assumptions are based on the 2017 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Classified	2017 CalPERS 2.0%@62 Rates for School Employees
	The retirement assumptions are based on the 2017 CalPERS 2.0%@62 Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

D - Schedule of Changes in the Net OPEB Liability and Related Ratios (Continued)

Mortality

Certificated	<p>2020 CalSTRS Mortality Table</p> <p>The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriated based on CalSTRS analysis.</p>
Classified	<p>2017 CalPERS Retiree and Active Mortality for Miscellaneous Employees</p> <p>The mortality assumptions are based on the 2017 CalPERS Retiree and Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriated based on CalPERS analysis.</p>

SUPPLEMENTARY INFORMATION

SAN MATEO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2020

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	Special Reserve For Capital Outlay Fund	Foundation Permanent Fund	Total
ASSETS								
Cash and cash equivalents	\$ 6,814,679	\$ 432,993	\$ 2,685,786	\$ 1,071,646	\$ 7,680,483	\$ 4,820,181	\$ 1,248,370	\$ 24,754,138
Accounts receivable	507,902	222,488	11,014	4,011	36,720	18,633	5,014	805,782
Due from other funds	-	1,713	-	-	-	-	-	1,713
Total assets	\$ 7,322,581	\$ 657,194	\$ 2,696,800	\$ 1,075,657	\$ 7,717,203	\$ 4,838,814	\$ 1,253,384	\$ 25,561,633
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 275,441	\$ 765	\$ 70	\$ 7,551	\$ 21,649	\$ -	\$ -	\$ 305,476
Unearned revenue	97,589	-	-	-	-	-	-	97,589
Due to other funds	101	80,193	1,612	-	27,710	-	2,500	112,116
Total Liabilities	373,131	80,958	1,682	7,551	49,359	-	2,500	515,181
Fund balances								
Restricted	291,734	576,236	-	711,128	-	1,777,613	-	3,356,711
Committed	6,657,716	-	2,695,118	356,978	7,667,844	3,061,201	1,250,884	21,689,741
Total Fund Balance	6,949,450	576,236	2,695,118	1,068,106	7,667,844	4,838,814	1,250,884	25,046,452
Total liabilities and fund balances	\$ 7,322,581	\$ 657,194	\$ 2,696,800	\$ 1,075,657	\$ 7,717,203	\$ 4,838,814	\$ 1,253,384	\$ 25,561,633

SAN MATEO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL NON-MAJOR FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Adult Education Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Foundation Special Revenue Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve For Capital Outlay Fund</u>	<u>Foundation Permanent Fund</u>	<u>Total</u>
REVENUES								
Federal revenue	\$ 513,735	\$ 886,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400,574
Other state revenues	5,060,537	71,967	-	5,808	-	-	-	5,138,312
Other local revenues	367,088	740,676	51,203	518,343	777,771	80,608	23,828	2,559,517
Total revenues	<u>5,941,360</u>	<u>1,699,482</u>	<u>51,203</u>	<u>524,151</u>	<u>777,771</u>	<u>80,608</u>	<u>23,828</u>	<u>9,098,403</u>
EXPENDITURES								
Certificated salaries	2,485,212	-	-	71,646	-	-	-	2,556,858
Classified salaries	1,315,233	1,054,381	-	732	-	-	-	2,370,346
Employee benefits	1,581,423	511,736	-	22,552	-	-	-	2,115,711
Books and supplies	169,911	480,621	-	98,561	-	-	13,805	762,898
Services and other operating expenditures	343,097	86,043	75,836	122,639	45,239	89,082	58,426	820,362
Capital outlay	-	-	-	-	-	-	-	-
Other outgo	-	80,193	-	-	-	-	-	80,193
Total expenditures	<u>5,894,876</u>	<u>2,212,974</u>	<u>75,836</u>	<u>316,130</u>	<u>45,239</u>	<u>89,082</u>	<u>72,231</u>	<u>8,706,368</u>
Excess(deficiency) of revenues over expenditures	<u>46,484</u>	<u>(513,492)</u>	<u>(24,633)</u>	<u>208,021</u>	<u>732,532</u>	<u>(8,474)</u>	<u>(48,403)</u>	<u>392,035</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	675,754	-	-	-	657,601	-	1,333,355
Total other financing sources (uses)	<u>-</u>	<u>675,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,601</u>	<u>-</u>	<u>1,333,355</u>
Net change in fund balances	46,484	162,262	(24,633)	208,021	732,532	649,127	(48,403)	1,725,390
Fund balances, July 1, 2019	6,902,966	413,974	2,719,751	860,085	6,935,312	4,189,687	1,299,287	23,321,062
Fund balances, June 30, 2020	<u>\$ 6,949,450</u>	<u>\$ 576,236</u>	<u>\$ 2,695,118</u>	<u>\$ 1,068,106</u>	<u>\$ 7,667,844</u>	<u>\$ 4,838,814</u>	<u>\$ 1,250,884</u>	<u>\$ 25,046,452</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT

ALL AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 01, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Assets:				
Cash and Cash Equivalents				
Aragon High School	191,495	176,626	166,805	201,316
Burlingame High School	318,820	252,983	280,576	291,227
Capuchino High School	68,641	69,242	44,387	93,496
Hillsdale High School	197,076	206,408	199,138	204,346
Mills High School	149,299	92,380	90,713	150,966
Peninsula Alternative High School	2,433	39	-	2,472
San Mateo High School	264,698	200,345	150,831	314,212
Adult School	19,424	9,876	14,540	14,759
District	41,096	53	21,868	19,281
Total Cash and Cash Equivalents	<u>1,252,982</u>	<u>1,007,950</u>	<u>968,858</u>	<u>1,292,074</u>
Interest Receivable	<u>7,740</u>	<u>12,979</u>	<u>7,740</u>	<u>12,979</u>
Total Assets	<u>\$ 1,260,722</u>	<u>\$ 1,020,928</u>	<u>\$ 976,598</u>	<u>\$ 1,305,053</u>
Liabilities:				
Due to Student Groups	\$ 1,224,764	\$ 980,456	\$ 905,193	\$ 1,300,027
Accounts Payable	<u>35,958</u>	<u>40,473</u>	<u>71,405</u>	<u>5,026</u>
Total Liabilities	<u>\$ 1,260,722</u>	<u>\$ 1,020,928</u>	<u>\$ 976,598</u>	<u>\$ 1,305,053</u>

The San Mateo Union High School District was established on July 26, 1902, and is located in San Mateo County. There were no changes in the boundaries of the District in the current year. The District operates six high schools, one continuation high school, and an adult education school.

SAN MATEO UNION HIGH SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2020

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Greg Land	President	2020
Marc Friedman	Vice-President	2020
Robert H. Griffin	Clerk	2022
Linda Lees Dwyer	Trustee	2022
Peter H. Hanley	Trustee	2022

ADMINISTRATION

Kevin Skelly, Ph.D.
Superintendent

Elizabeth McManus
Deputy Superintendent, Business Services

Kirk Black, Ed.D.
Deputy Superintendent, Human Resources and Student Services

Julia Kempkey
Assistant Superintendent, Curriculum & Instruction

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Second Period Report	Annual Report	Revised Annual Report
Secondary:			
Ninth through Twelfth	8,745.96	8,799.95	8,755.54
Special Education	<u>41.11</u>	<u>41.11</u>	<u>41.11</u>
Total	<u><u>8,787.07</u></u>	<u><u>8,841.06</u></u>	<u><u>8,796.65</u></u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Site	Grade Level	Standard Minutes Requirement	2019-20 Actual Minutes	Instructional Days	Status
Aragon High School	Grades 9 -12	64,800	66,412	180	In compliance
Burlingame High School	Grades 9 -12	64,800	65,962	180	In compliance
Capuchino High School	Grades 9 -12	64,800	66,610	180	In compliance
Hillsdale High School	Grades 9 -12	64,800	67,912	180	In compliance
Mills High School	Grades 9 -12	64,800	66,888	180	In compliance
San Mateo High School	Grades 9 -12	64,800	65,982	180	In compliance

SAN MATEO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2020

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Design Tech Charter School #1647	Separately Reported

SAN MATEO UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

There were no adjustments to any funds of the District.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal CFDA Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (formerly PL 94-142)	13379	\$ 1,125,681
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs Total Special Education Cluster	10115	<u>2,653</u> 1,128,334
84.002A	Adult Education: Adult Basic Education & ESL	14508	305,349
84.002	Adult Education: Adult Secondary Education	13978	77,000
84.002A	Adult Education: English Literacy & Civics Education Total Adult Education Cluster	14109	<u>131,386</u> 513,735
84.365	NCLB: Title III, Immigrant Education Program	15146	24,767
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program Total Title III Cluster	14346	<u>100,931</u> 125,698
84.010	NCLB: Title I, Basic School Support	14416	* 586,653
84.424	NCLB: Title IV, Part A Student Support and Academic Enrichment Grant	15396	26,033
84.UNK	EPA Environmental Education & Community Awareness Project	10048	26,750
84.367	NCLB: Title II, Part A, Teacher Quality	14341	124,652
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	143,147
84.126	Department of Rehab: Workability II, Transition Partnership	10006	<u>261,682</u>
Total U.S. Department of Education			<u>2,936,684</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.555	Child Nutrition: Meal Supplements in National School Lunch Program - Monetary Assistance	13524	* 886,839
10.555	Child Nutrition: Meal Supplements in National School Lunch Program - Nonmonetary Assistance Total Child Nutrition Cluster	13524	<u>102,283</u> 989,122
Total U.S. Department of Agriculture			<u>989,122</u>
Total Federal Programs			<u>\$ 3,925,806</u>

* Tested as a major program

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Adopted Budget 2020/2021	Actuals 2019/2020	Actuals 2018/2019	Actuals 2017/2018
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 183,298,588	\$ 179,611,741	\$ 179,159,949	\$ 160,786,343
Expenditures	181,886,530	175,678,822	171,594,518	154,916,292
Other Uses and Transfers Out	3,841,048	4,233,755	3,715,385	5,373,855
Total Outgo	185,727,578	179,912,577	175,309,903	160,290,147
Change in Fund Balance	(2,428,990)	(300,836)	3,850,046	496,196
Ending Fund Balance	\$ 27,227,122	\$ 29,656,112	\$ 29,956,948	\$ 26,106,902
Available Reserves	\$ 5,571,827	\$ 5,398,022	\$ 5,016,018	\$ 4,808,704
Designated for Economic Uncertainties	\$ 5,571,827	\$ 5,398,022	\$ 5,016,018	\$ 4,808,704
Undesignated Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	3%	3%	3%	3%
<u>All Funds</u>				
Total Long-Term Debt	\$ 874,010,270	\$ 895,199,558	\$ 788,317,150	\$ 779,323,919
Average Daily Attendance at P-2	8,899	8,787	8,498	8,408

*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The general fund balance has increased by \$3,549,210 over the past three years. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District had incurred an operating deficit in the 2019-20 fiscal year, operating surplus for the 2017-18 and 2018-2019 fiscal years and anticipates a deficit in the 2020-21 fiscal year.

Total long-term liabilities have increased by \$115,875,639 over the past two years due to the addition of G.O. Bonds and increase of the net pension liability.

Average Daily Attendance (ADA) has increased by 379 over the past two years. An increase of 112 ADA is projected for the 2020-21 fiscal year.

SAN MATEO UNION HIGH SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

2. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

The District participated in the Longer Day incentives and met or exceeded its target funding.

3. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

4. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

5. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The following schedule provides a reconciliation between federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal Catalog Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 3,823,523
Reconciling items		
Food Distribution - Commodities	10.555	<u>102,283</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,925,806</u>

SAN MATEO UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
San Mateo Union High School District
San Mateo, California

Report on Compliance for Each State Program

We have audited the compliance of San Mateo Union High School District's (the "District") compliance with the types of compliance requirements described in the State of California's 2019-20 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2020.

Management's Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2019-20 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	Yes
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below

School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
California Clean Energy Jobs Act	Yes
After/Before Schools Education and Safety Program	
General requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

Charter Schools

Description	Procedures Performed
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes - Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

We did not perform any procedures for Kindergarten Continuance or K-3 Grade Span Adjustment because these grade levels are not offered by the District.

We did not perform any procedures for Independent Study because the Average Daily Attendance reported for this program was not material for compliance purposes.

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, After Schools Education and Safety Program, Apprenticeship: Related and Supplemental Instruction, District of Choice or Independent Study-Course Based because the District did not offer these programs in the current year.

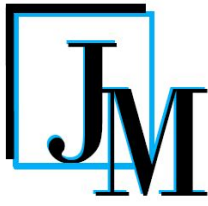
We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, and Annual Instructional Minutes-Classroom-Based for Charter Schools, Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, San Mateo Union High School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2020.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 23, 2020



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Mateo Union High School District
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Mateo Union High School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise San Mateo Union High School District's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies: **2020-01**.

Compliance and Other Matters

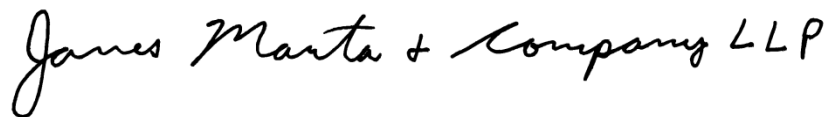
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

San Mateo Union High School District's Response to Findings

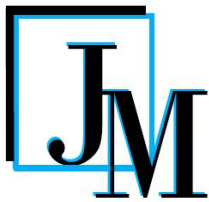
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 23, 2020



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Mateo Union High School District
San Mateo, California

Report on Compliance for Each Major Federal Program

We have audited San Mateo Union High School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 23, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 23, 2020

FINDINGS AND RECOMMENDATIONS

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weakness(es)? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor’s report issued on compliance
 for major programs: Unmodified

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to
 be reported in accordance with Uniform Guidance,
 Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553,10.555 84.01	Child Nutrition Title I

Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Type of auditor’s report issued on compliance
 for state programs: Unmodified

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

2020-1 Payroll (30000)

Criteria:

Internal controls over payroll require adequate documentation, review and oversight to ensure the accuracy of payments to employees.

Condition:

There were multiple employees found to have either overpayments or underpayments during the 2020 fiscal year. Two of the underpayments were discovered when the involved employees brought them to management's attention, which prompted an internal payroll audit leading to the discovery of one other underpayment and one overpayment. Out-of-pocket for health benefits is calculated based on FTE. The District used .99 FTE rather than .96 FTE for one employee. The result was an overpayment to the employee of \$285. The District was able to collect the amount from the employee with no issue. Another employee was provided a Personnel Action Form authorizing a career increment; however, the payroll department was not notified of the change. As a result, the employee did not receive the approved raise when authorized in July 2017 through December 2019 when it was discovered, which resulted in a \$2,300 underpayment. The District and employee agreed to pay out the \$2,300 in a lump sum during the January 2020 payroll. A third employee held a management position for ten years and beginning in July 2018, became eligible for longevity pay. Again, the payroll department was not notified that the employee was eligible for longevity pay until April 2020. The result was a total \$4,400 underpayment for the period from July 2018 through March 2020. The District agreed to pay out the amount as a lump sum during April 2020 payroll. Finally, a fourth employee had a child on their health plan which increased the amount deducted from payroll. The child aged out of the plan during the 2018 calendar year, however payroll was not notified of this fact. As a result, extra deductions were taken out of employee's payroll from January 2019 through March 2020 when the discrepancy was brought up by the employee. The total additional deductions resulted in a \$1,600 underpayment throughout the time period. The District agreed to a lump sum payout of the amount during April 2020 payroll.

Cause:

The errors were caused in by insufficient documentation and/or insufficient review.

Effect:

The result of the errors was a net underpayment of approximately \$8,000.

Recommendation:

Personnel action forms should be used for all payroll related changes. The form should be signed by the employee and a supervisor. These change forms should immediately be delivered to the appropriate department so the changes can be implemented in the appropriate pay period.

Corrective Action Plan:

1. **.99 FTE vs. .96 FTE resulting in overpayment of \$285 for out-of-pocket health benefits:** This was an oversight of one employee. PAFs will continue to be proofed by a second set of eyes in order to avoid inaccuracies.
2. **Career Increments for Certificated Employees:** PAFs have not historically been created for certificated employees because it is an automatic step increase. **Moving forward:** PAFs will now be created for all monetary changes for employees.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

3. **Administrator career increment:** This was a misunderstanding by the HR Credential Analyst who was not aware that he was responsible for tracking career increments for administrators. **Currently:** Since discovering the error, the Credential Analyst is now aware of that responsibility and has created a spreadsheet which lists all current certificated managerial employees and their years of service to the District. This spreadsheet will be checked near the beginning of each year such that certificated management that have achieved 10 years of managerial service with the District can be processed for their career increment, granted they fulfill the other necessary conditions.

4. **Overage Dependents and health benefits:** In 2018, there were a couple of personnel changes after the retirement of the previous Benefits Coordinator who had been in the position for many years. Therefore, some things were overlooked while transitioning with personnel. **Moving forward:** HR Benefits will review each overage dependent report that comes in from the medical carrier and request monthly overage dependents reports from KCares (dental and vision). Any payroll related changes related to overage dependents will be processed and submitted to Fiscal Services/Payroll at the time of receipt. Payroll Change Forms will continue to be completed with all changes to the employees, spouses and their dependents and being cognizant of all information being correct to avoid overpayments.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section IV – State Award Findings and Questioned Costs

No matters were reported.

SAN MATEO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Findings and Recommendation</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
<u>Internal Controls</u>		
2019-1 New Hire Process (30000)	Implemented	
<p>The District should have a checklist of required items that must be completed prior to a new employee starting. In this case, if the District does not receive previous employment history, then the employee would not start until the requisite information is provided. When all information is obtained the personnel department should review and approve the new employee’s placement on the salary schedule. This information should then be reviewed and signed by the employee.</p>		
2019-2 Unduplicated LCFF Pupil Counts (40000)	Implemented	
<p>Students classified as “Free or Reduced Price Meals (FRPM)” or “English Learner” (EL) status and are not directly certified on the CALPADS 1.18 FRPM English Learner/ Foster Youth-Student List Report must have supporting documentation that indicates the student was eligible for the designation. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.</p>		