

**SAN MATEO-FOSTER CITY
SCHOOL DISTRICT**

COUNTY OF SAN MATEO
FOSTER CITY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2022



Chavan & Associates, LLP

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

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SAN MATEO COUNTY
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**FINANCIAL
SECTION**



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of San Mateo-Foster City School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the San Mateo-Foster City School District's basic financial statements as listed in the table of contents.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

Deficit Net Position

As of June 30, 2022, the District's net position in its Government-wide financial statements and its internal service fund was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Notes 8. Our opinion is not modified with respect to this matter.

New Accounting Standards

During the year, the District implemented GASB Statement No. 87, *Leases*. As a result, the District recorded a right of use asset and lease liability of \$751,666. See note 1 for additional information. Our opinion was not modified for this matter.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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



Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



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instructional time offered, the reconciliation of the Annual Financial and Budget report to the audited financial statement, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of San Mateo-Foster City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Mateo-Foster City School District's internal control over financial reporting and compliance.

C & A LLP

December 15, 2022
Morgan Hill, California

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Management's Discussion and Analysis

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

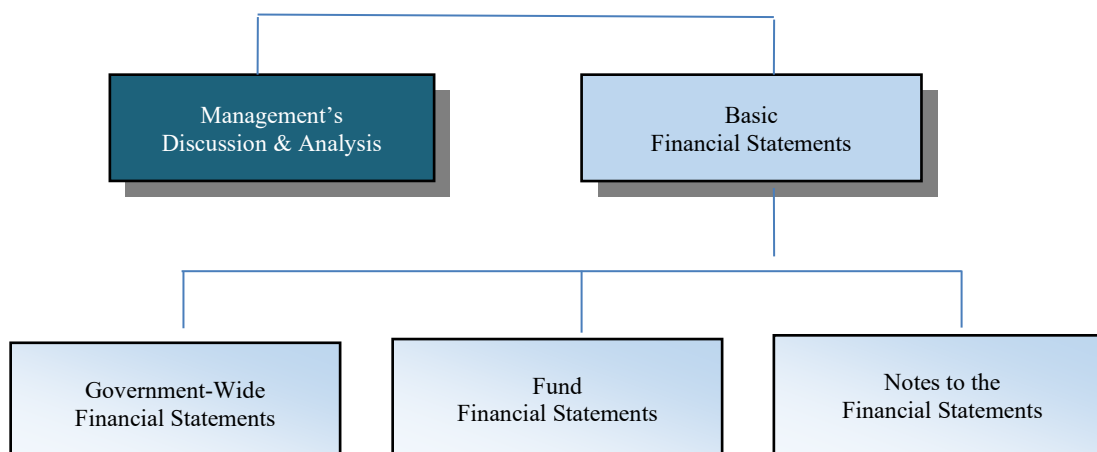
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

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

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2022 were as follows:

- Total net position increased by \$32,178,169 (77%), which included a \$17,366,289 prior period adjustment related to the District's capital assets in 2022.
- The District recorded deferred outflows of resources of \$72,769,574 and deferred inflows of resources of \$93,310,660 as required by GASB 68 and GASB 75 for pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$210,602,406 in government-wide expenses which is 93% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$50,563,666, or 22%, of the total revenues of \$225,414,286.
- General revenue of \$174,850,620 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 78% of total revenues in 2022 versus 81% in 2021.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

- The fund balances of all governmental funds decreased by \$28,805,664 which was a 10% decrease from 2021. This was mainly due to spending down bond proceeds in the Building Fund.
- Total governmental fund revenues and expenditures totaled \$215,520,545 and \$245,001,802 respectively.

USING THE ANNUAL REPORT

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2021 - 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District has business-type activities for its Children's Annex, Bayside Theatre program, fee-based preschool, and food services co-op, which are reported in an enterprise fund and in the government-wide financial statements.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Proprietary funds

When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's enterprise funds are included within the business-type activities and reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District charges fees to help it cover the costs of certain services it provides. The District's Children's Annex, Bayside Theatre program, fee based preschool and food services co-op are included in the proprietary funds.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2022 as compared to June 30, 2021:

Table 1 - Summary of Statement of Net Position						
Description	Governmental Activities			Business-type Activities		
	2022	2021	% Change	2022	2021	% Change
Assets						
Current and Other Assets	\$ 282,571,937	\$ 297,486,304	-5.0%	\$ 5,706,150	\$ 4,590,801	24.3%
Capital Assets	385,823,399	342,901,409	12.5%	-	-	0.0%
Total Assets	\$ 668,395,336	\$ 640,387,713	4.4%	\$ 5,706,150	\$ 4,590,801	24.3%
Total Deferred Outflows of Resources	\$ 71,009,938	\$ 67,061,296	5.9%	\$ 1,759,636	\$ 2,169,847	-18.9%
Liabilities						
Current Liabilities	\$ 28,139,817	\$ 13,929,520	102.0%	\$ 547,056	\$ 1,049,176	-47.9%
Long-term Liabilities	625,891,681	691,801,527	-9.5%	8,722,989	12,872,845	-32.2%
Total Liabilities	\$ 654,031,498	\$ 705,731,047	-7.3%	\$ 9,270,045	\$ 13,922,021	-33.4%
Total Deferred Inflows of Resources	\$ 90,282,569	\$ 35,308,627	155.7%	\$ 3,028,091	\$ 1,167,274	159.4%
Net Position						
Net Investment in Capital Assets	\$ 101,138,766	\$ 84,383,859	19.9%	\$ -	\$ -	0.0%
Restricted	77,709,035	64,994,423	19.6%	-	-	0.0%
Unrestricted	(183,756,594)	(182,968,947)	-0.4%	(4,832,350)	(8,328,647)	42.0%
Total Net Position	\$ (4,908,793)	\$ (33,590,665)	85.4%	\$ (4,832,350)	\$ (8,328,647)	42.0%

During the year, deferred outflows of resources decreased by 19%, deferred inflows of resources increased by 159.4%, and long-term liabilities decreased by 32% mostly due to the changes in pension and OPEB actuarial assumptions related to GASB 68 and GASB 75, respectively. GASB 68 requires all local governments that participate in cost sharing pension plans to record its proportionate share of net pension liabilities from pension plans in the government-wide financial statements.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

Table 2 shows the changes in net position for fiscal year 2022 as compared to 2021:

Table 2 - Summary of Changes in Statement of Activities						
Description	Governmental Activities			Business-type Activities		
	2022	2021	% Change	2022	2021	% Change
Revenues						
Program revenues	\$ 42,424,792	\$ 35,862,531	18.3%	\$ 8,138,874	\$ 3,122,483	160.7%
General revenues:						
Property taxes	166,192,954	149,728,231	11.0%	-	-	0.0%
Grants and entitlements, unrestricted	12,688,872	12,595,435	0.7%	-	-	0.0%
Other	(5,862,149)	2,838,279	-306.5%	1,830,943	(687,048)	366.5%
Total Revenues	215,444,469	201,024,476	7.2%	9,969,817	2,435,435	309.4%
Program Expenses						
Instruction	119,587,430	122,757,709	-2.6%	-	-	0.0%
Instruction-related services	18,466,735	18,913,063	-2.4%	-	-	0.0%
Pupil services	18,309,132	16,922,830	8.2%	-	-	0.0%
General administration	10,915,205	10,580,878	3.2%	-	-	0.0%
Plant services	18,562,967	8,548,955	117.1%	-	-	0.0%
Ancillary services	258,171	43,292	496.3%	-	-	0.0%
Enterprise	-	1,466,807	0.0%	6,473,520	6,843,534	-5.4%
Other program expenses	567,334	662,318	-14.3%	-	-	0.0%
Interest on long-term debt	17,461,912	14,868,533	17.4%	-	-	0.0%
Total Expenses	204,128,886	194,764,385	4.8%	6,473,520	6,843,534	-5.4%
Change in Net Position	11,315,583	6,260,091	-80.8%	3,496,297	(4,408,099)	179.3%
Beginning Net Position	(33,590,665)	(43,939,600)	23.6%	(8,328,647)	(3,920,548)	-112.4%
Prior Period Adjustments	17,366,289	4,088,844	100.0%	-	-	0.0%
Ending Net Position	\$ (4,908,793)	\$ (33,590,665)	85.4%	\$ (4,832,350)	\$ (8,328,647)	42.0%

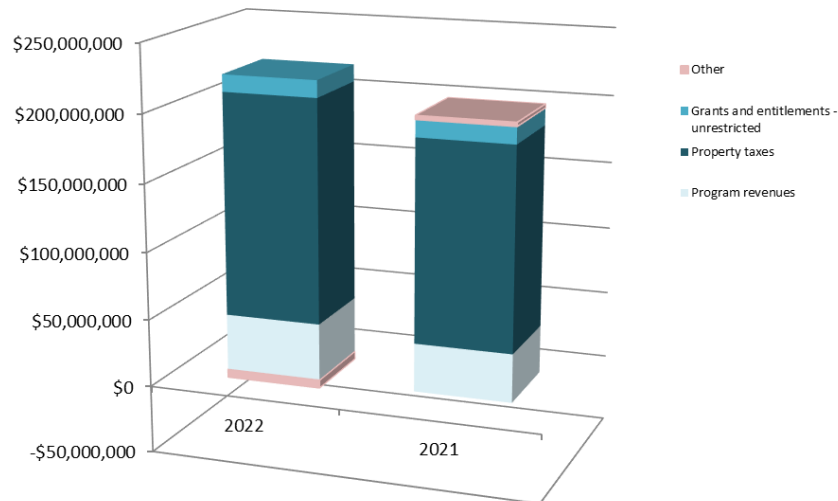
The District's expenses for instructional services were 66% of total expenses in 2021-22 as compared to 70% in 2020-21. The purely administrative activities of the District accounted for 5% of total costs in both the 2021-22 and 2020-21 periods. Interest on long-term debt represented 8% of total expenses in 2021-22 as compared to 7% in 2020-21. Total expenses were 93% of revenue in 2021-22 versus 99% in 2020-21. Program revenues were 22% of total revenues in 2021-22 and 19% of total revenues in 2020-21.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

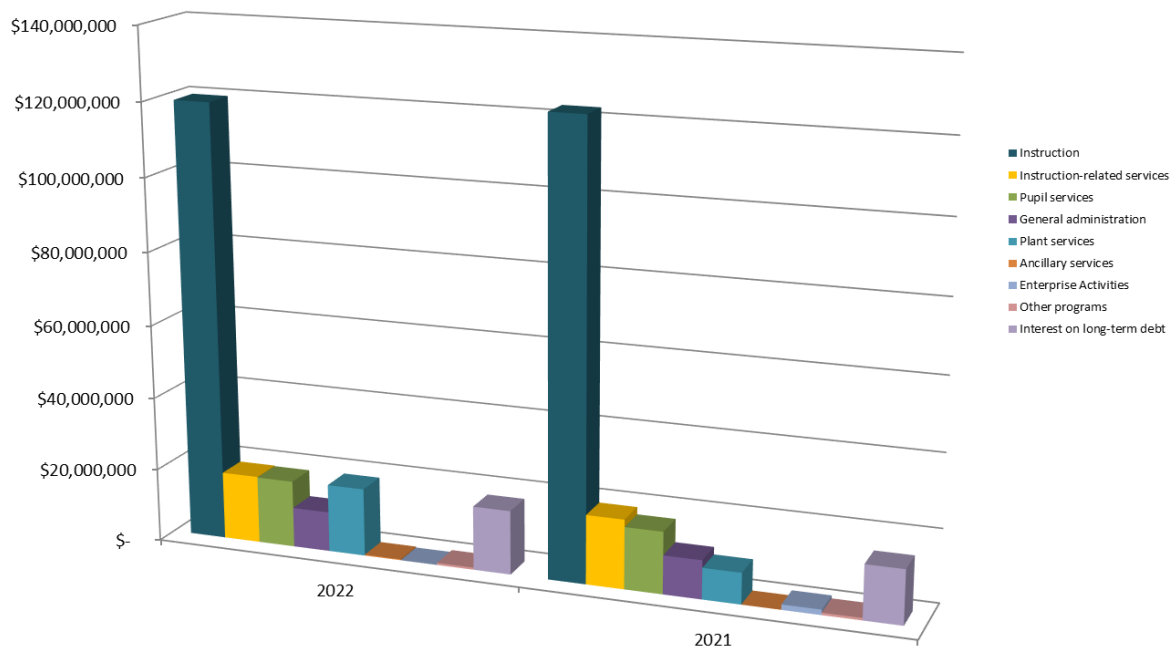
The following is a summary of government wide revenues for the fiscal year ended June 30, 2022:

Gov't Wide Revenues



The following is a summary of expenses by function for the fiscal year ended June 30, 2022:

Gov't Wide Program Expenses



SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

GOVERNMENTAL ACTIVITIES

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

Table 3 - Net Cost of Services Governmental Activities					
Description	2022	2021	Change	% Change	
Instruction	\$ 98,942,173	\$ 101,654,209	\$ (2,712,036)	-2.7%	
Instruction-related services	16,488,136	16,715,462	(227,326)	-1.4%	
Pupil services	7,297,978	11,878,686	(4,580,708)	-38.6%	
General administration	9,848,290	9,827,053	21,237	0.2%	
Plant services	18,019,249	7,056,539	10,962,710	155.4%	
Ancillary services	222,149	38,725	183,424	473.7%	
Enterprise Activities	-	(27,449)	27,449	0.0%	
Other programs	(6,575,793)	(3,109,904)	(3,465,889)	-52.7%	
Interest on long-term debt	17,461,912	14,868,533	2,593,379	17.4%	
Total Net Cost of Services	\$ 161,704,094	\$ 158,901,854	\$ 2,802,240	1.8%	

The following summarizes the District's functions:

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

THE DISTRICT'S FUNDS

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

Table 4 - Summary of Fund Balances					
Description	2022	2021	Change	% Change	
General Fund	\$ 97,465,508	\$ 92,647,545	\$ 4,817,963	5.2%	
Building Fund	98,032,767	139,903,133	(41,870,366)	-29.9%	
Capital Facilities Fund	5,911,591	4,875,791	1,035,800	21.2%	
Bond Interest and Redemption Fund	36,297,694	30,690,228	5,607,466	18.3%	
Nonmajor Funds	21,366,560	19,763,087	1,603,473	8.1%	
Total Fund Balances	\$ 259,074,120	\$ 287,879,784	\$ (28,805,664)	-10.0%	

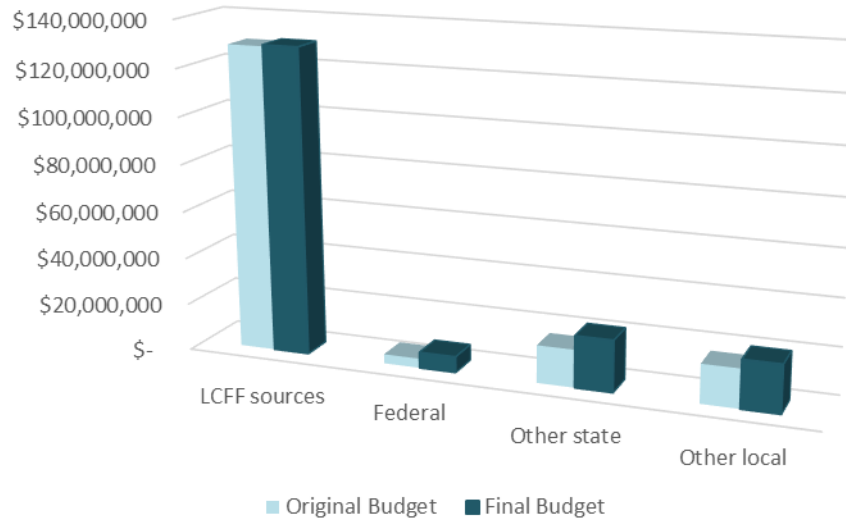
SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

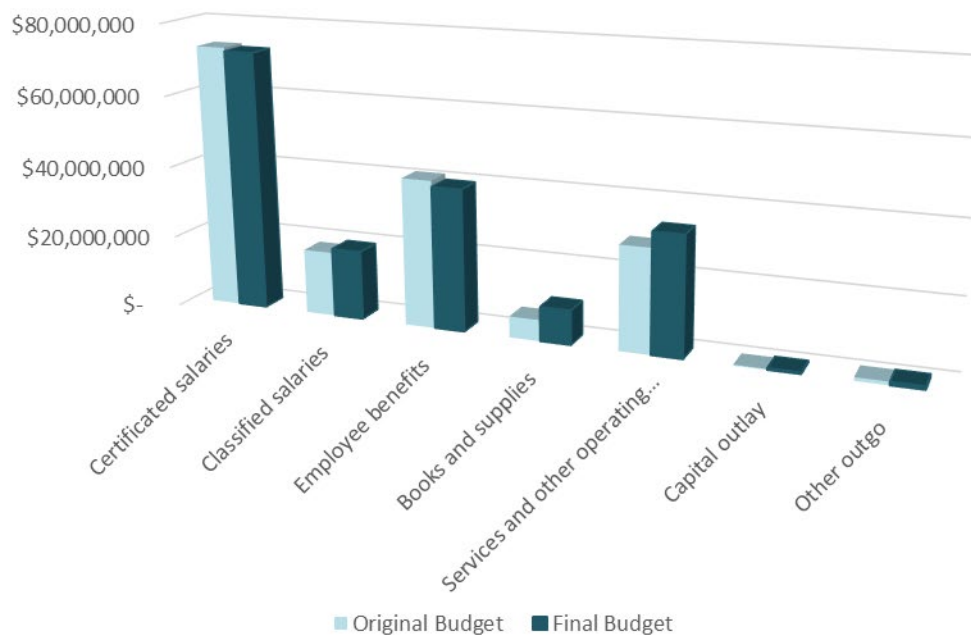
FINANCIAL ANALYSIS OF THE GENERAL FUND AND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2021-22 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim. The following charts summarize the changes from the District's original and final budgets.

General Fund Budgeted Revenues



General Fund Budgeted Expenditures



SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSETS

Table 5 shows June 30, 2022 balances as compared to June 30, 2021.

Table 5 - Summary of Capital Assets Net of Depreciation				
Description	2022	2021	Change	% Change
Land	\$ 42,276,727	\$ 10,269,460	\$ 32,007,267	311.67%
Work-in-Progress	43,247,606	118,593,096	(75,345,490)	-63.53%
Site Improvements	203,541,954	18,746,495	184,795,459	985.76%
Buildings	96,670,931	189,503,354	(92,832,423)	-48.99%
Furniture and Equipment	86,181	5,789,004	(5,702,823)	-98.51%
Total Capital Assets - Net	\$ 385,823,399	\$ 342,901,409	\$ 42,921,990	12.52%

LONG TERM DEBT

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

Table 6 - Summary of Long-term Liabilities				
Description	2022	2021	Change	% Change
Bonds	\$ 469,144,171	\$ 479,770,740	\$ (10,626,569)	-2.21%
Right to Use Lease Obligation	568,650	-	568,650	100.00%
Total OPEB Liability	73,085,658	63,170,039	9,915,619	15.70%
Compensated Absences	480,473	428,739	51,734	12.07%
Net Pension Liabilities	91,335,718	161,304,853	(69,969,135)	-43.38%
Total Long-term Liabilities	\$ 634,614,670	\$ 704,674,371	\$ (70,059,701)	-9.94%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

District maintains healthy reserves for economic uncertainties to weather economic adversity and provides the fiscal flexibility to address such issues as they arise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 270,216,559	\$ 5,379,440	\$ 275,595,999
Accounts receivable	10,871,619	376,864	11,248,483
Other assets	1,433,605	-	1,433,605
Internal balances	50,154	(50,154)	-
Total current assets	<u>282,571,937</u>	<u>5,706,150</u>	<u>288,278,087</u>
Noncurrent assets:			
Non-depreciable capital assets	128,862,556	-	128,862,556
Depreciable capital assets - net	256,960,843	-	256,960,843
Total noncurrent assets	<u>385,823,399</u>	<u>-</u>	<u>385,823,399</u>
Total Assets	<u><u>\$ 668,395,336</u></u>	<u><u>\$ 5,706,150</u></u>	<u><u>\$ 674,101,486</u></u>
Deferred Outflows of Resources			
OPEB adjustments	\$ 10,131,645	\$ 386,534	\$ 10,518,179
Pension adjustments	45,567,218	1,373,102	46,940,320
Deferred loss on early retirement of debt	15,311,075	-	15,311,075
Total Deferred Outflows of Resources	<u><u>\$ 71,009,938</u></u>	<u><u>\$ 1,759,636</u></u>	<u><u>\$ 72,769,574</u></u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 21,347,383	\$ 251,033	\$ 21,598,416
Unearned revenue	2,150,434	296,023	2,446,457
Accrued interest	4,642,000	-	4,642,000
Total current liabilities	<u>28,139,817</u>	<u>547,056</u>	<u>28,686,873</u>
Long-term liabilities:			
Due within one year	25,881,363	-	25,881,363
Due after one year	600,010,318	8,722,989	608,733,307
Total long-term liabilities	<u>625,891,681</u>	<u>8,722,989</u>	<u>634,614,670</u>
Total Liabilities	<u><u>\$ 654,031,498</u></u>	<u><u>\$ 9,270,045</u></u>	<u><u>\$ 663,301,543</u></u>
Deferred Inflows of Resources			
OPEB adjustments	\$ 18,449,727	\$ 682,586	\$ 19,132,313
Pension adjustments	71,832,842	2,345,505	74,178,347
Total Deferred Inflows of Resources	<u><u>\$ 90,282,569</u></u>	<u><u>\$ 3,028,091</u></u>	<u><u>\$ 93,310,660</u></u>
Net Position			
Net investment in capital assets	\$ 101,138,766	\$ -	\$ 101,138,766
Restricted for:			
Capital projects	21,404,377	-	21,404,377
Debt service	26,523,920	-	26,523,920
Cafeteria programs	3,281,536	-	3,281,536
Educational programs	26,499,202	-	26,499,202
Total restricted net position	<u>77,709,035</u>	<u>-</u>	<u>77,709,035</u>
Unrestricted	(183,756,594)	(4,832,350)	(188,588,944)
Total Net Position	<u><u>\$ (4,908,793)</u></u>	<u><u>\$ (4,832,350)</u></u>	<u><u>\$ (9,741,143)</u></u>

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net		
		Charges for	Operating	Governmental	Business-type	Total
		Services	Grants and Contributions	Activities	Activities	
Governmental activities:						
Instruction	\$ 119,587,430	\$ 194,932	\$ 20,450,325	\$ (98,942,173)	\$ -	\$ (98,942,173)
Instruction-related services:						
Supervision of instruction	6,242,323	482	767,354	(5,474,487)	-	(5,474,487)
Instruction library, media and technology	1,083,865	20,042	99,882	(963,941)	-	(963,941)
School site administration	11,140,547	5,539	1,085,300	(10,049,708)	-	(10,049,708)
Pupil services:						
Home-to-school transportation	3,989,876	-	2,264	(3,987,612)	-	(3,987,612)
Food services	3,870,989	-	5,982,497	2,111,508	-	2,111,508
All other pupil services	10,448,267	45,567	4,980,826	(5,421,874)	-	(5,421,874)
General administration:						
Data processing	2,396,882	-	14,347	(2,382,535)	-	(2,382,535)
All other general administration	8,518,323	2,184	1,050,384	(7,465,755)	-	(7,465,755)
Plant services	18,562,967	3,176	540,542	(18,019,249)	-	(18,019,249)
Ancillary services	258,171	5,221	30,801	(222,149)	-	(222,149)
Other program expenses	567,334	1,482,657	5,660,470	6,575,793	-	6,575,793
Interest on long-term debt	17,461,912	-	-	(17,461,912)	-	(17,461,912)
Total governmental activities	<u>\$ 204,128,886</u>	<u>\$ 1,759,800</u>	<u>\$ 40,664,992</u>	<u>(161,704,094)</u>	<u>-</u>	<u>(161,704,094)</u>
Business-type activities:						
The Children's Annex	3,174,460	4,485,376	33,436	-	1,344,352	1,344,352
Fee based preschool program	1,738,263	2,052,354	18,182	-	332,273	332,273
Food services super Co-op	1,464,481	1,480,393	-	-	15,912	15,912
Bayside Theatre	96,316	68,150	983	-	(27,183)	(27,183)
Total business-type activities	<u>\$ 6,473,520</u>	<u>\$ 8,086,273</u>	<u>\$ 52,601</u>	<u>-</u>	<u>1,665,354</u>	<u>1,665,354</u>
General revenues and transfers:						
Taxes and subventions:						
Taxes levied for general purposes				119,747,625	-	119,747,625
Taxes levied for debt service				31,736,865	-	31,736,865
Taxes levied for other specific purposes				14,708,464	-	14,708,464
Federal and state aid non restricted to specific purposes				12,688,872	-	12,688,872
Interest and investment earnings				(6,969,052)	(123,959)	(7,093,011)
Miscellaneous				1,182,976	-	1,182,976
Special item - pension credit				-	1,878,829	1,878,829
Internal transfers				(76,073)	76,073	-
Total general revenues and transfers				<u>173,019,677</u>	<u>1,830,943</u>	<u>174,850,620</u>
Change in net position				11,315,583	3,496,297	14,811,880
Prior Period Adjustment - Capital Assets				17,366,289	-	17,366,289
Net position beginning				<u>(33,590,665)</u>	<u>(8,328,647)</u>	<u>(41,919,312)</u>
Net position ending				<u>\$ (4,908,793)</u>	<u>\$ (4,832,350)</u>	<u>\$ (9,741,143)</u>

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 95,513,832	\$ 112,808,667	\$ 6,058,236	\$ 36,206,397	\$ 19,629,427	\$ 270,216,559
Accounts receivable	7,443,022	338,891	45,076	91,297	2,953,333	10,871,619
Due from other funds	297,291	191,446	-	-	177,285	666,022
Other assets	1,209,650	27,247	-	-	196,708	1,433,605
Total Assets	\$ 104,463,795	\$ 113,366,251	\$ 6,103,312	\$ 36,297,694	\$ 22,956,753	\$ 283,187,805
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 5,296,340	\$ 15,333,484	\$ 1,721	\$ -	\$ 715,838	\$ 21,347,383
Due to other funds	135,564	-	190,000	-	290,304	615,868
Unearned revenue	1,566,383	-	-	-	584,051	2,150,434
Total Liabilities	6,998,287	15,333,484	191,721	-	1,590,193	24,113,685
Fund balances:						
Nonspendable:						
Revolving fund	35,000	-	-	-	-	35,000
Stores inventory	-	-	-	-	196,708	196,708
Prepaid expenses	1,209,650	-	-	-	-	1,209,650
Restricted for:						
Cafeteria programs	-	-	-	-	3,281,536	3,281,536
Capital projects	-	98,032,767	5,911,591	-	15,492,786	119,437,144
Educational programs	25,634,263	-	-	-	-	25,634,263
Legally restricted balances	-	-	-	-	864,939	864,939
Debt service	-	-	-	36,297,694	-	36,297,694
Committed for:						
Contingencies	5,100,489	-	-	-	-	5,100,489
Assigned for:						
Cafeteria programs	-	-	-	-	858,182	858,182
Vacation	500,000	-	-	-	-	500,000
Supplemental	1,179,089	-	-	-	-	1,179,089
Educational programs	12,683,567	-	-	-	300,450	12,984,017
Insurance	791,595	-	-	-	-	791,595
Technology upgrade and refresh	700,000	-	-	-	-	700,000
Payroll reserves	10,894,844	-	-	-	-	10,894,844
Professional development	2,500,000	-	-	-	-	2,500,000
Deferred maintenance projects	5,805,973	-	-	-	-	5,805,973
Retiree benefits	25,306,189	-	-	-	-	25,306,189
Capital projects	-	-	-	-	371,959	371,959
Unassigned:						
Economic uncertainties	5,124,849	-	-	-	-	5,124,849
Total Fund Balances	97,465,508	98,032,767	5,911,591	36,297,694	21,366,560	259,074,120
Total Liabilities and Fund Balances	\$ 104,463,795	\$ 113,366,251	\$ 6,103,312	\$ 36,297,694	\$ 22,956,753	\$ 283,187,805

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances - governmental funds	\$ 259,074,120
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Amounts reported in the Statement of Net Position are different because:

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

Capital assets at cost	\$ 509,753,018	
Accumulated depreciation	<u>(123,929,619)</u>	385,823,399

The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. (71,832,842)

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements. 45,567,218

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

OPEB adjustments:		
Change in assumptions	\$ 10,131,645	
Changes in experience and benefits	<u>(18,449,727)</u>	(8,318,082)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds. (4,642,000)

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

General obligation and revenue bonds	\$ 469,144,171	
Loss on early retirement of long-term debt	(15,311,075)	
Right to use leases	568,650	
Net pension obligations	86,695,861	
Total OPEB liability	69,002,526	
Compensated absences (vacation)	<u>480,473</u>	<u>(610,580,606)</u>

Total net position - governmental activities	<u>\$ (4,908,793)</u>
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The notes to basic financial statements are an integral part of this statement

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
LCFF sources	\$ 129,793,538	\$ -	\$ -	\$ -	\$ -	\$ 129,793,538
Federal revenue	6,538,006	-	-	-	5,953,025	12,491,031
Other state	20,590,347	-	-	101,750	3,487,744	24,179,841
Other local	17,972,697	(2,358,334)	1,257,376	32,381,789	(197,393)	49,056,135
Total revenues	174,894,588	(2,358,334)	1,257,376	32,483,539	9,243,376	215,520,545
Expenditures:						
Current						
Instruction	111,855,729	-	-	-	2,048,001	113,903,730
Instruction-related services:						
Supervision of instruction	6,453,812	-	-	-	-	6,453,812
Instruction library, media and technology	1,120,587	-	-	-	-	1,120,587
School site administration	11,035,577	-	-	-	482,411	11,517,988
Pupil services:						
Home-to-school transportation	3,936,177	-	-	-	-	3,936,177
Food services	150	-	-	-	3,963,600	3,963,750
All other pupil services	10,802,254	-	-	-	-	10,802,254
General administration:						
Data processing	2,478,089	-	-	-	-	2,478,089
All other general administration	7,630,909	-	-	-	275,352	7,906,261
Plant services	13,164,708	-	21,834	-	238,628	13,425,170
Facilities acquisition and construction	1,286,168	39,512,032	199,742	-	591,010	41,588,952
Ancillary services	266,918	-	-	-	-	266,918
Payments to other agencies	567,334	-	-	-	-	567,334
Debt service:						
Principal	183,016	-	-	16,585,000	-	16,768,016
Interest and fees	11,691	-	-	10,291,073	-	10,302,764
Total expenditures	170,793,119	39,512,032	221,576	26,876,073	7,599,002	245,001,802
Excess (deficiency) of revenues over (under) expenditures	4,101,469	(41,870,366)	1,035,800	5,607,466	1,644,374	(29,481,257)
Other financing sources (uses):						
Transfers in	-	-	-	-	35,172	35,172
Transfers out	(35,172)	-	-	-	(76,073)	(111,245)
Lease financing	751,666	-	-	-	-	751,666
Total other financing sources (uses)	716,494	-	-	-	(40,901)	675,593
Net changes in fund balances	4,817,963	(41,870,366)	1,035,800	5,607,466	1,603,473	(28,805,664)
Fund balances beginning	92,647,545	139,903,133	4,875,791	30,690,228	19,763,087	287,879,784
Fund balances ending	\$ 97,465,508	\$98,032,767	\$5,911,591	\$36,297,694	\$ 21,366,560	\$259,074,120

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Total net change in fund balances - governmental funds	\$ (28,805,664)
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions, net disposals and adjustments	\$ 37,333,752	
Depreciation and amortization expense	(11,778,051)	25,555,701

Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements.	(7,114,418)
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The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of debt principal	16,585,000	
Amortization of loss on early retirement of long-term debt	(881,717)	
Right to use lease proceeds	(751,666)	
Right to use lease principal	183,016	

Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements, but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:	1,155,987
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In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by:	(51,734)
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In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	8,089,640
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In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(2,329,562)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(319,000)
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Changes in net position of governmental activities	\$ 11,315,583
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The notes to basic financial statements are an integral part of this statement

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
Assets					
Cash and investments	\$ 3,929,116	\$ 856,109	\$ 566,265	\$ 27,950	\$ 5,379,440
Accounts receivable	29,224	71	347,569	-	376,864
Due from other funds	492	-	-	-	492
Total Assets	<u>\$ 3,958,832</u>	<u>\$ 856,180</u>	<u>\$ 913,834</u>	<u>\$ 27,950</u>	<u>\$ 5,756,796</u>
Deferred Outflows of Resources					
OPEB Adjustments	\$ 245,702	\$ 133,610	\$ -	\$ 7,222	\$ 386,534
Pension adjustments	872,817	474,629	-	25,656	1,373,102
Total Deferred Outflows of Resources	<u>\$ 1,118,519</u>	<u>\$ 608,239</u>	<u>\$ -</u>	<u>\$ 32,878</u>	<u>\$ 1,759,636</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 2,625	\$ 6,503	\$ 236,778	\$ 5,127	\$ 251,033
Due to other funds	9,367	1,279	40,000	-	50,646
Unearned revenue	80,067	215,956	-	-	296,023
Total current liabilities	<u>92,059</u>	<u>223,738</u>	<u>276,778</u>	<u>5,127</u>	<u>597,702</u>
Long-term liabilities:					
Total OPEB liabilities	2,595,458	1,411,382	-	76,292	4,083,132
Net pension obligations	2,949,343	1,603,820	-	86,694	4,639,857
Total long-term liabilities	<u>5,544,801</u>	<u>3,015,202</u>	<u>-</u>	<u>162,986</u>	<u>8,722,989</u>
Total Liabilities	<u>\$ 5,636,860</u>	<u>\$ 3,238,940</u>	<u>\$ 276,778</u>	<u>\$ 168,113</u>	<u>\$ 9,320,691</u>
Deferred Inflows of Resources					
OPEB Adjustments	\$ 433,888	\$ 235,944	\$ -	\$ 12,754	\$ 682,586
Pension adjustments	1,490,929	810,751	-	43,825	2,345,505
Total Deferred Inflows of Resources	<u>\$ 1,924,817</u>	<u>\$ 1,046,695</u>	<u>\$ -</u>	<u>\$ 56,579</u>	<u>\$ 3,028,091</u>
Net Position					
Unrestricted	<u>\$ (2,484,326)</u>	<u>\$ (2,821,216)</u>	<u>\$ 637,056</u>	<u>\$ (163,864)</u>	<u>\$ (4,832,350)</u>
Total Net Position	<u>\$ (2,484,326)</u>	<u>\$ (2,821,216)</u>	<u>\$ 637,056</u>	<u>\$ (163,864)</u>	<u>\$ (4,832,350)</u>

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
Operating Revenues					
State revenue	\$ 33,436	\$ 18,182	\$ -	\$ 983	\$ 52,601
Local revenue	4,485,376	2,052,354	1,480,393	68,150	8,086,273
Total Operating Revenues	4,518,812	2,070,536	1,480,393	69,133	8,138,874
Operating Expenses					
Certificated salaries	342,431	55,576	-	-	398,007
Classified salaries	1,749,215	1,084,629	-	63,543	2,897,387
Employee benefits	1,005,340	563,811	-	24,222	1,593,373
Books and supplies	40,714	11,853	-	470	53,037
Services and other operating expenses	36,760	22,394	1,464,481	8,081	1,531,716
Total Operating Expenses	3,174,460	1,738,263	1,464,481	96,316	6,473,520
Operating Income (Loss)	1,344,352	332,273	15,912	(27,183)	1,665,354
Nonoperating Revenues (Expenses):					
Interest income	(87,103)	(25,691)	(10,326)	(839)	(123,959)
Income Before Transfers	1,257,249	306,582	5,586	(28,022)	1,541,395
Transfers from Other Funds	-	76,073	-	-	76,073
Transfers to Other Funds	-	-	-	-	-
	-	76,073	-	-	76,073
Special item: pension credit	1,194,285	649,438	-	35,106	1,878,829
Change in Net Position	2,451,534	1,032,093	5,586	7,084	3,496,297
Prior Period Adjustments	645,104	(660,716)	-	15,612	-
Beginning Net Position	(5,580,964)	(3,192,593)	631,470	(186,560)	(8,328,647)
Ending Net Position	<u>\$ (2,484,326)</u>	<u>\$ (2,821,216)</u>	<u>\$ 637,056</u>	<u>\$ (163,864)</u>	<u>\$ (4,832,350)</u>

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

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2022

	The Children's Annex	Fee Based Preschool Program	Food Services Super CO-OP	Bayside Theatre	Total Enterprise Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 4,111,614	\$ 2,109,518	\$ 1,576,680	\$ 69,133	\$ 7,866,945
Payments to employees	(3,588,160)	(1,892,419)	40,000	(87,765)	(5,528,344)
Payments to vendors	(148,874)	(37,340)	(1,539,756)	(9,529)	(1,735,499)
Net cash provided by (used for) operating activities	<u>374,580</u>	<u>179,759</u>	<u>76,924</u>	<u>(28,161)</u>	<u>603,102</u>
Cash Flows from Noncapital Financing Activities					
Transfers in	-	76,073	-	-	76,073
Transfer out	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>76,073</u>	<u>-</u>	<u>-</u>	<u>76,073</u>
Cash Flows from Investing Activities					
Interest income	(87,103)	(25,691)	(10,326)	(839)	(123,959)
Increase (decrease) in Cash and Cash Equivalents	287,477	230,141	66,598	(29,000)	555,216
Cash and Cash Equivalents - Beginning	<u>3,641,639</u>	<u>625,968</u>	<u>499,667</u>	<u>56,950</u>	<u>4,824,224</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,929,116</u>	<u>\$ 856,109</u>	<u>\$ 566,265</u>	<u>\$ 27,950</u>	<u>\$ 5,379,440</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income	\$ 1,344,352	\$ 332,273	\$ 15,912	\$ (27,183)	\$ 1,665,354
Adjustments to reconcile net operating income to net cash provided by operating activities:					
Pension credit	1,194,285	649,438	-	35,106	1,878,829
Decrease (increase) in operating assets					
Accounts receivable	(16,771)	(71)	96,287	-	79,445
Due from other funds	(492)	60,329	-	-	59,837
Deferred outflows of resources	378,676	21,016	-	10,519	410,211
Increase (decrease) in operating liabilities					
Accounts payable	(71,400)	(3,093)	(75,275)	(978)	(150,746)
Due to other funds	(490,683)	(248,732)	40,000	-	(699,415)
Unearned revenue	(390,427)	39,053	-	-	(351,374)
Deferred inflows of resources	1,119,398	708,185	-	33,234	1,860,817
Total OPEB liabilities	663,323	(332,521)	-	17,201	348,003
Net pension obligations	(3,355,681)	(1,046,118)	-	(96,060)	(4,497,859)
Net cash provided by (used for) operating activities	<u>\$ 374,580</u>	<u>\$ 179,759</u>	<u>\$ 76,924</u>	<u>\$ (28,161)</u>	<u>\$ 603,102</u>

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

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

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

Accordingly, for the year ended June 30, 2022, the District had the following component units: The San Mateo-Foster City School District Public Education Facilities Financing Corporation whose purpose is to finance the construction of facilities to be used for the direct benefit of the District. However, there has been no financial activity for the past few years.

C. Basis of Presentation

Government-wide Financial Statements:

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Fund Financial Statements:

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

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

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

Fiduciary funds are reported using the economic resources measurement focus when applicable.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

Deferred Outflow of Resources and Deferred Inflow of Resources:

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Unearned Revenue:

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

Unavailable Revenue:

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

Expenses/Expenditures:

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

E. Fund Accounting

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

Major Governmental Funds:

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

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Nonmajor Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

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

The *Food Services Super Co-Op* enterprise fund accounts for revenue and expenses related to the District's role as the lead agency for the Super USDA Foods Cooperative.

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

Each of these funds were reported as a major funds.

F. Budgets and Budgetary Accounting

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

G. Encumbrances

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

H. Benefit Plans

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (CalSTRS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

The following summarizes the District's pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	\$ 7,607,594	\$ 39,332,727	\$ 46,940,320
Deferred inflows of resources	\$ 13,643,763	\$ 60,534,584	\$ 74,178,347
Net pension liabilities	\$ 32,975,332	\$ 58,360,386	\$ 91,335,718
Pension expense (credit)	\$ 3,604,077	\$ 11,840,370	\$ 15,444,447

Other Postemployment Benefits Other Than Pensions (OPEB)

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

Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

I. Assets, Liabilities, and Equity

1. Cash and Investments

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

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

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

2. Fair Value Measurements

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

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

3. Inventories and Prepaid Expenditures

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The District utilizes a capitalization threshold of \$5,000 except for right of use leased assets which have a threshold of \$25,000.

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

The purpose of depreciation and amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The useful life of right of use assets is typically determined by the associated lease term of those assets. The amount charged to depreciation and amortization expense each year represents that year's pro rata share of the cost of capital assets. The District depreciates using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated or amortized.

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

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

5. Compensated Absences

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

6. Long-Term Liabilities

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

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

7. Fund Balance Classifications

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

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2022, capital assets net of accumulated depreciation totaling \$385,823,399 was increased by unspent bond proceeds of \$98,032,767 and reduced by related debt of \$382,717,400 which excluded accreted interest of \$61,341,922 and premiums attributed to cash reserves for debt service of \$9,773,774. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

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

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

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

9. Interfund Balances and Activity

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

10. Operating Revenues and Expenses

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

11. Local Control Funding Formula and Property Taxes

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

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

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

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

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

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

12. Risk Management

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

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

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

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

13. Accounting Estimates

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

J. Implemented Accounting Pronouncements

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As of June 30, 2022, the District recognized one contract as a lessee and implemented the applicable accounting and reporting requirements under GASB 87. As a result, the District recorded a right of use asset and lease liability of \$751,666.

K. Upcoming Accounting and Reporting Changes

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

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods

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beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. GASB 96 is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
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- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 2 - CASH AND INVESTMENTS

The following summarizes cash and investments as of June 30, 2022:

Description	Carrying Amount	Fair Value
Governmental Activities:		
Cash in county treasury investment pool	\$ 276,576,442	\$ 267,947,255
Cash in revolving fund	35,000	35,000
Cash on hand and in banks	2,232,935	2,232,935
Total Cash Deposits	278,844,377	270,215,190
Investments:		
California Local Agency Investment Fund	1,364	1,370
Total Governmental Cash and Investments	278,845,741	270,216,560
Business-Type Activities:		
Cash in county treasury investment pool	5,174,045	5,012,614
Cash in revolving fund	10,000	10,000
Cash on hand and in banks	356,825	356,825
Total Business-Type Cash and Investments	5,540,870	5,379,439
Total Government-Wide Cash and Investments	\$ 284,386,611	\$ 275,595,999

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2022, the bank balance of the District's accounts with banks was \$1,614,179, which exceeded FDIC limits by \$1,364,179.

Cash in County Treasury

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

Fair Value Measurements

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments in the San Mateo County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Policies and Practices

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately \$1.915 billion and an amortized book value of \$1.976 billion.

Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Concentration of Credit Risk

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2022:

	Governmental Activities					
	General	Building	Capital	Bond	Other	
Receivables	Fund	Fund	Facilities	Interest &	Nonmajor	Total
	Fund	Fund	Fund	Redemption	Funds	
Federal Government	\$ 3,819,727	\$ -	\$ -	\$ -	\$ 1,226,779	\$ 5,046,506
State Government	1,134,345	-	-	-	1,675,864	2,810,209
Local Resources	2,488,950	338,891	45,076	91,297	50,690	3,014,904
Total Accounts Receivable	<u>\$ 7,443,022</u>	<u>\$ 338,891</u>	<u>\$ 45,076</u>	<u>\$ 91,297</u>	<u>\$ 2,953,333</u>	<u>\$ 10,871,619</u>

NOTE 4 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2022, the District interfund payables and receivables consisted of the following:

Fund	Due From	Due To
General Fund	\$ 297,291	\$ 135,564
Building Fund	191,446	-
Capital Facilities Fund	-	190,000
Fee Based Preschool Fund	492	50,646
Nonmajor Governmental Funds	177,285	290,304
Totals	<u>\$ 666,514</u>	<u>\$ 666,514</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. As of June 30, 2022, the District interfund transfers consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 35,172
Fee Based Preschool Fund	76,073	-
Nonmajor Governmental Funds	35,172	76,073
Totals	<u>\$ 111,245</u>	<u>\$ 111,245</u>

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

The following summarizes the changes in capital assets for the year ended June 30, 2022:

Capital Assets	Balance July 01, 2021	Additions	Adjustments/ Deletions	Balance June 30, 2022
Non-depreciable Capital Assets:				
Land - not depreciable	\$ 10,269,460	\$ -	\$ 32,007,267	\$ 42,276,727
Construction-in-progress	118,593,096	36,582,086	(111,927,576)	43,247,606
Total Non-depreciable Capital Assets	128,862,556	36,582,086	(79,920,309)	85,524,333
Depreciable Capital Assets:				
Site improvements	37,883,868	7,219,023	243,887,518	288,990,409
Buildings and improvements	305,189,667	1,404,429	(191,961,695)	114,632,401
Furniture and equipment	16,341,353	214,913	3,297,943	19,854,209
Total Depreciable Capital Assets	359,414,888	8,838,365	55,223,766	423,477,019
Right of Use Assets:				
Leased equipment	-	751,666	-	751,666
Less accumulated depreciation and amortization for:				
Site improvements	19,137,373	1,947,371	64,363,711	85,448,455
Buildings and improvements	115,686,313	4,145,229	(101,870,072)	17,961,470
Furniture and equipment	10,552,349	5,497,534	4,281,894	20,331,777
Right to use leased equipment	-	187,917	-	187,917
Total accumulated depreciation and amortization	145,376,035	11,778,051	(33,224,467)	123,929,619
Total capital assets - net	\$ 342,901,409	\$ 34,394,066	\$ 8,527,924	\$ 385,823,399

During the fiscal year ended June 30, 2022, the District performed a review and reconciliation of its capital assets as part of its corrective action plan for the audit finding from the past couple of years. This resulted in a net beginning balance decrease of \$17,366,289. The prior financial statements noted a significant deficiency in internal control over financial reported related to the District's capital assets.

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 9,364,553
Home-to-school transportation	182,686
Food services	37,130
All other general administration	871,147
Plant services	1,322,535
Total depreciation expense	<u>\$ 11,778,051</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2022:

Long-Term Liabilities	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Bonds	\$ 479,770,740	\$ 7,114,418	\$ 17,740,987	\$ 469,144,171	\$ 25,575,000
Right to use lease obligation	-	751,666	183,016	568,650	186,245
Net OPEB liability	63,170,039	37,246,071	27,330,452	73,085,658	-
Compensated absences	428,739	158,919	107,185	480,473	120,118
Net pension liabilities	161,304,853	69,812,067	139,781,202	91,335,718	-
Total Long-Term Liabilities	<u>\$ 704,674,371</u>	<u>\$ 115,083,141</u>	<u>\$ 185,142,842</u>	<u>\$ 634,614,670</u>	<u>\$ 25,881,363</u>

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

NOTE 7 - BONDS AND LEASES

General Obligation Bonds, Election 2008, Series A

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

General Obligation Bonds, Election 2008, Series Q

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

General Obligation Bonds, Election 2008, Series C

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
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2014 General Obligation Refunding Bonds

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

2015 General Obligation Refunding Bonds

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

2020 General Obligation Refunding Bonds

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

2020 General Obligation Refunding Bonds, Series B and Series C

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

General Obligation Bonds 2020, Series A and B

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

The following schedule summarizes the District's outstanding Bonds as of June 30, 2022:

Description	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Issued	Redeemed	Bonds Outstanding June 30, 2022
Principle Bonds:							
GO Bonds 2008, Series A	8/1/2042	2.95-6.625%	\$ 54,999,413	\$ 53,703,475	\$ -	\$ -	\$ 53,703,475
GO Bonds 2008, Series Q	8/1/2026	6%	25,000,000	22,915,000	-	850,000	22,065,000
GO Bonds 2008, Series C	8/1/2039	2-5%	35,000,000	4,860,000	-	2,320,000	2,540,000
2014 GO Refunding Bonds	8/1/2026	5%	2,080,000	1,740,000	-	535,000	1,205,000
2015 GO Refunding Bonds	8/1/2023	3-5%	27,875,000	22,960,000	-	7,105,000	15,855,000
2020 GO Refunding Bonds	8/1/2045	2-5%	146,705,000	144,315,000	-	5,145,000	139,170,000
2020 GORB, Series B	8/1/2025	4%	2,870,000	2,870,000	-	300,000	2,570,000
2020 GORB, Series C	8/1/2039	.249-2.813	16,250,000	16,250,000	-	330,000	15,920,000
GO Bonds 2020, Series A	8/1/2051	2.5-4%	100,000,000	100,000,000	-	-	100,000,000
GO Bonds 2020, Series B	8/1/2044	2.375-4%	45,000,000	45,000,000	-	-	45,000,000
Subtotal General Obligation Bonds			550,454,413	414,613,475	-	16,585,000	398,028,475
Accreted Interest:							
GO Bonds 2008, Series A			-	54,227,504	7,114,418	-	61,341,922
Unamortized Bond Premium			19,142,805	10,929,761	-	1,155,987	9,773,774
Total Bond Related Debt			<u>\$ 569,597,218</u>	<u>\$ 479,770,740</u>	<u>\$ 7,114,418</u>	<u>\$ 17,740,987</u>	<u>\$ 469,144,171</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
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The following is a summary of the District's annual debt service requirements as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 25,575,000	\$ 10,426,477	\$ 36,001,477
2024	24,825,000	9,988,476	34,813,476
2025	8,990,000	10,048,355	19,038,355
2026	9,660,000	9,979,320	19,639,320
2027	10,338,669	14,106,130	24,444,799
2028-2032	26,871,520	92,834,467	119,705,987
2033-2037	59,854,155	96,748,498	156,602,653
2038-2042	99,569,301	94,638,318	194,207,619
2043-2047	95,714,830	16,411,588	112,126,418
2048-2052	36,630,000	2,414,877	39,044,877
Total Debt Service	<u>\$ 398,028,475</u>	<u>\$ 357,596,506</u>	<u>\$ 755,624,981</u>

Equipment Leases

The District has entered into various leases for copy machines with lease terms from August 20, 2021 through August 20, 2025. None of the agreements contain purchase options, and all of the agreements contain termination clauses providing for lease cancellation after written notice is provided to the lessors. However, it is unlikely that the District will cancel any of the agreements before the expiration date. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Under GASB 87, the District records these leases as long-term liabilities and right of use assets in its Statement of Net Position at the net present value of the future lease payments, using an incremental borrowing rate of 1.75%.

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 186,245	\$ 8,462	\$ 194,707
2024	189,531	5,177	194,708
2025	192,874	1,833	194,707
2026	-	-	-
2027	-	-	-
	<u>\$ 568,650</u>	<u>\$ 15,472</u>	<u>\$ 584,122</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

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

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7%	7%
Required employer contribution rates	22.91%	22.91%

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

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

For the year ended June 30, 2022, the District's contributions were as follows:

	CalPERS
Contributions - employer	\$ 5,524,787

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	\$ 32,975,332

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	CalPERS
Proportion - June 30, 2021	0.15934%
Proportion - June 30, 2022	0.16217%
Change - Increase/(Decrease)	0.00283%

For the year ended June 30, 2022, the District recognized pension expense of \$3,604,077 for the Plan. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	984,398	77,736
Differences between Projected and Actual Investment Earnings	-	12,654,951
Differences between Employer's Contributions and Proportionate Share of Contributions	-	764,999
Change in Employer's Proportion	1,098,408	146,077
Pension Contributions Made Subsequent to Measurement Date	5,524,787	-
Total	\$ 7,607,593	\$ 13,643,763

The District reported \$5,524,787 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (2,530,550)
2024	(2,646,910)
2025	(2,863,909)
2026	(3,519,588)
2027	-
Thereafter	-
Total	\$ (11,560,957)

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

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

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.
- (d) Figures are based on the previous ALM of 2017.

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

	CalPERS
1% Decrease	6.15%
Net Pension Liability	\$ 55,601,039
Current	7.15%
Net Pension Liability	\$ 32,975,332
1% Increase	8.15%
Net Pension Liability	\$ 14,191,139

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

General Information about the STRS Pension Plan

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

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.920%	16.920%
Required State contribution rates	10.828%	10.828%

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

For the year ended June 30, 2022, the District's contributions were as follows:

	CalSTRS
Employer Contributions	\$ 11,858,254
State Contributions	8,247,544
Total	<u>\$ 20,105,798</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	\$ 58,360,386
State	29,364,612
Total	<u>\$ 87,724,998</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 10.46 percent of the members' creditable earnings from the fiscal year ending in the prior calendar. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	CalSTRS
Proportion - June 30, 2021	0.11600%
Proportion - June 30, 2022	0.12824%
Change - Increase/(Decrease)	<u>0.01224%</u>

For the year ended June 30, 2022, the District recognized pension expense of \$11,840,370, of which, a total of \$8,247,544 came from state contributions.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 8,269,046	\$ -
Differences between Expected and Actual Experience	146,196	6,210,762
Differences between Projected and Actual Investment Earnings	-	46,164,568
Differences between Employer's Contributions and Proportionate Share of Contributions	4,545	3,057,482
Change in Employer's Proportion	19,054,686	5,101,771
Pension Contributions Made Subsequent to Measurement Date	11,858,254	-
Total	\$ 39,332,727	\$ 60,534,583

The District reported \$11,858,254 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (7,230,078)
2024	(6,005,366)
2025	(9,577,211)
2026	(12,724,664)
2027	1,689,983
Thereafter	787,225
Total	\$ (33,060,111)

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

- (1) 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB
(2) Net of investment expense but gross of administrative expenses.
(3) Based on 110% of the MP-2019 Ultimate Projection

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 118,802,140
Current	7.10%
Net Pension Liability	\$ 58,360,386
1% Increase	8.10%
Net Pension Liability	\$ 8,197,231

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

C. Postemployment Benefits Other Than Pension Benefits

Plan Description.

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

Benefits

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Employees Covered by Benefit Terms

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

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

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were \$2,237,804. Total benefit payments included in the measurement period were \$2,100,466. The actuarially determined contribution for the measurement period was \$8,836,002. The District's contributions were 2.18% of payroll during the measurement period June 30, 2021. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

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

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	2.18%
Inflation	2.75%
Payroll Increases	3.00%
Municipal Bond Rate	2.18%
Mortality	2017 CalPERS valuation 2020 Cal STRS valuation
Retirement	2017 CalPERS valuation 2020 Cal STRS valuation

Discount Rate

Since the benefits are not funded, the discount rate is equal to the Bond Buyer 20-Year Bond Index, which was 2.18%.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 (measurement date) and was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2022 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the total OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$63,170,039	\$ -	\$63,170,039
Service cost	4,288,307	-	4,288,307
Interest in Total OPEB Liability	1,654,589	-	1,654,589
Changes in assumptions	5,907,624	-	5,907,624
Benefit payments	(1,934,901)	-	(1,934,901)
Net changes	9,915,619	-	9,915,619
Balance at June 30, 2022	\$73,085,658	\$ -	\$73,085,658
Covered Employee Payroll	\$88,922,598		
Total OPEB Liability as a % of Covered Employee Payroll	82.19%		
Service Cost as a % of Covered Employee Payroll	4.82%		
Net OPEB Liability as a % of Covered Employee Payroll	82.19%		

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

Deferred Inflows and Outflows of Resources

At June 30, 2022, 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
Difference between actual and expected experience	\$ -	\$ 19,132,313
Change in assumptions	8,473,341	-
OPEB contribution subsequent to measurement date	2,044,838	-
Totals	\$ 10,518,179	\$ 19,132,313

Of the total amount reported as deferred outflows of resources related to OPEB, \$2,044,838 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2023.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Year Ended June 30,	
2023	\$ (1,771,925)
2024	(1,771,925)
2025	(1,771,925)
2026	(1,771,925)
2027	(1,771,923)
Thereafter	(1,799,349)
Total	\$ (10,658,972)

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022 for the measurement date of June 30, 2021:

Service cost	\$ 4,288,307
Interest in TOL	1,654,589
Difference between actual and expected experience	(3,136,445)
Change in assumptions	1,364,520
OPEB Expense	\$ 4,170,971

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022 for the measurement date of June 30, 2021:

Total OPEB liability ending	\$ 73,085,658
Total OPEB liability beginning	(63,170,039)
Change in total OPEB liability	9,915,619
Changes in deferred outflows	(4,364,878)
Changes in deferred inflows	(3,136,444)
Employer contributions and implicit subsidy	1,756,674
OPEB Expense	\$ 4,170,971

Sensitivity to Changes in the Municipal Bond Rate

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

	Municipal Bond Rate		
	(1% Decrease)	2.18%	(1% Increase)
Total OPEB Liability	\$ 88,088,872	\$ 73,085,658	\$ 61,540,323

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Sensitivity to Changes in the Healthcare Cost Trend Rates

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

	Trend Rate		
	(1% Decrease)	Current	(1% Increase)
Total OPEB Liability	\$ 65,713,699	\$ 73,085,658	\$ 82,330,523

NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	\$ 129,153,575	\$ 129,787,018	\$ 129,793,538	\$ 6,520
Federal revenues	3,954,197	6,706,507	6,538,006	(168,501)
Other state	15,917,424	21,772,723	20,590,347	(1,182,376)
Other local	16,447,745	20,193,060	17,972,697	(2,220,363)
Total revenues	165,472,941	178,459,308	174,894,588	(3,564,720)
Expenditures:				
Certificated salaries	73,221,068	72,307,598	72,304,697	2,901
Classified salaries	18,093,330	19,278,828	19,082,881	195,947
Employee benefits	41,116,583	39,523,555	39,010,538	513,017
Books and supplies	5,891,363	9,592,780	7,489,231	2,103,549
Services and other operating expenditures	28,865,947	33,237,070	31,358,406	1,878,664
Capital outlay	250,308	484,905	1,231,638	(746,733)
Other outgo	967,531	945,910	315,728	630,182
Total expenditures	168,406,130	175,370,646	170,793,119	4,577,527
Excess (deficiency) of revenues over (under) expenditures	(2,933,189)	3,088,662	4,101,469	1,012,807
Other financing sources (uses):				
Transfers in	645,951	187,042	-	(187,042)
Transfers out	(33,959)	(33,959)	(35,172)	(1,213)
Lease financing	-	-	751,666	751,666
Total other financing sources (uses)	611,992	153,083	716,494	563,411
Change in fund balance	\$ (2,321,197)	\$ 3,241,745	4,817,963	\$ 1,576,218
Prior period adjustments GASB 84			-	
Fund balance beginning			92,647,545	
Fund balance ending			\$ 97,465,508	

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CalPERS	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 2,120,002	\$ 2,283,587	\$ 2,738,437	\$ 3,359,129	\$ 3,901,937	\$ 4,538,840	\$ 4,813,938	\$ 5,524,787
Contributions in Relation to								
Contractually Required Contributions	2,120,002	2,283,587	2,738,437	3,359,129	3,901,937	4,538,840	4,813,938	5,524,787
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 18,010,381	\$ 19,275,656	\$ 19,718,008	\$ 21,628,543	\$ 21,603,017	\$ 23,015,263	\$ 23,255,739	\$ 24,115,177
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

3.8 Years Remaining Amortization Period

Inflation Assumed at 2.50%

Investment Rate of Returns set at 7.00%

CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

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

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

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

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CalPERS	2015	2016	2017	2018	2019	2020	2021	2022
District's Proportion of Net Pension Liability	0.15810%	0.15600%	0.15719%	0.15451%	0.15807%	0.15560%	0.15934%	0.16217%
Proportionate Share of Net Pension Liability	\$ 17,948,200	\$ 22,994,554	\$ 31,045,565	\$ 36,885,615	\$ 42,146,438	\$ 45,348,164	\$ 48,890,413	\$ 32,975,332
Covered Payroll	\$ 16,593,087	\$ 18,010,381	\$ 19,275,656	\$ 19,718,008	\$ 21,628,543	\$ 21,603,017	\$ 23,015,263	\$ 23,255,739
Proportionate Share of NPL as a % of Covered Payroll	108.17%	127.67%	161.06%	187.07%	194.86%	209.92%	212.43%	141.79%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%	80.97%

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

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

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

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CALSTRS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 4,510,050	\$ 5,718,444	\$ 6,866,436	\$ 8,612,908	\$ 9,728,645	\$ 10,782,934	\$ 11,276,735	\$ 11,858,254
Contributions in Relation to								
Contractually Required Contributions	4,510,050	5,718,444	6,866,436	8,612,908	9,728,645	10,782,934	11,276,735	11,858,254
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 50,788,851	\$ 53,293,979	\$ 54,582,162	\$ 59,687,512	\$ 59,758,262	\$ 63,058,094	\$ 69,824,985	\$ 70,084,243
Contributions as a								
% of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%	16.92%

Notes to Schedule:

Valuation Date: June 30, 2020
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables are based on 110% of the MP-2019 Ultimate Projection Scale table issued by the Society of Actuaries.

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CALSTRS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CalSTRS	2015	2016	2017	2018	2019	2020	2021	2022
District's Proportion of Net Pension Liability	0.10300%	0.10800%	0.10783%	0.10300%	0.11600%	0.10700%	0.11600%	0.12824%
District's Proportionate Share of Net Pension Liability	\$ 60,190,110	\$ 72,709,920	\$ 87,215,910	\$ 95,253,370	\$ 106,612,120	\$ 96,638,120	\$ 112,414,440	\$ 58,360,386
State's Proportionate Share of Net Pension Liability Associated with the District	36,345,196	38,455,550	49,650,273	56,350,941	61,040,769	52,722,859	57,949,644	29,364,612
	<u>\$ 96,535,306</u>	<u>\$ 111,165,470</u>	<u>\$ 136,866,183</u>	<u>\$ 151,604,311</u>	<u>\$ 167,652,889</u>	<u>\$ 149,360,979</u>	<u>\$ 170,364,084</u>	<u>\$ 87,724,998</u>
Covered Payroll	\$ 45,986,752	\$ 50,788,851	\$ 53,293,979	\$ 54,582,162	\$ 59,687,512	\$ 59,758,262	\$ 63,058,094	\$ 69,824,985
Proportionate Share of NPL as a % of Covered Payroll	130.89%	143.16%	163.65%	174.51%	178.62%	161.72%	178.27%	83.58%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 4,484,420	\$ 4,146,975	\$ 4,437,778	\$ 4,799,747	\$ 4,288,307
Interest	1,857,366	2,128,176	2,211,170	2,270,498	1,654,589
Changes of benefit terms	-	-	-	(3,411,937)	-
Differences between expected and actual experience	-	-	-	(25,405,202)	-
Changes of assumptions	(4,980,087)	1,829,514	2,567,263	4,587,296	5,907,624
Benefit payments	(1,991,208)	(1,821,453)	(1,972,901)	(2,100,466)	(1,934,901)
Net change in Total OPEB Liability	(629,509)	6,283,212	7,243,310	(19,260,064)	9,915,619
Total OPEB Liability - beginning	69,533,090	68,903,581	75,186,793	82,430,103	63,170,039
Total OPEB Liability - ending	<u>\$ 68,903,581</u>	<u>\$ 75,186,793</u>	<u>\$ 82,430,103</u>	<u>\$ 63,170,039</u>	<u>\$ 73,085,658</u>
Plan fiduciary net position					
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset)	\$ 68,903,581	75,186,793	82,430,103	63,170,039	73,085,658
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 70,004,222	\$ 74,600,585	\$ 78,751,964	\$ 81,114,523	\$ 88,922,598
Net OPEB liability as a percentage of covered employee payroll	98.43%	100.79%	104.67%	77.88%	82.19%
Total OPEB liability as a percentage of covered employee payroll	98.43%	100.79%	104.67%	77.88%	82.19%

Other Notes

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

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

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

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

The discount decreased from 3.13% in 2020 to 2.66% in 2021, then to 2.18% in 2022.

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

Contributions were not based on a measure of pay.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

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

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

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

NOTE 3 - SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

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

NOTE 4 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

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

**SUPPLEMENTARY
INFORMATION**

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds		Capital Projects Funds		Total
	Child	Cafeteria	County	Special Reserve	Total
	Development	Fund	School	Fund for	Nonmajor
	Fund	Fund	Facilities	Capital Outlay	Governmental
	Fund	Fund	Fund	Projects	Funds
Assets					
Cash and investments	\$ 521,974	\$ 3,287,460	\$ 25,007	\$ 15,794,986	\$ 19,629,427
Accounts receivable	1,746,028	1,163,255	70	43,980	2,953,333
Due from other funds	194	141,919	-	35,172	177,285
Other assets	-	196,708	-	-	196,708
Total Assets	<u>\$ 2,268,196</u>	<u>\$ 4,789,342</u>	<u>\$ 25,077</u>	<u>\$ 15,874,138</u>	<u>\$ 22,956,753</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 648,415	\$ 41,845	\$ -	\$ 25,578	\$ 715,838
Due to other funds	72,621	212,628	-	5,055	290,304
Unearned revenue	381,771	198,443	-	3,837	584,051
Total Liabilities	<u>1,102,807</u>	<u>452,916</u>	<u>-</u>	<u>34,470</u>	<u>1,590,193</u>
Fund balances:					
Nonspendable:					
Inventory	-	196,708	-	-	196,708
Restricted for:					
Cafeteria programs	-	3,281,536	-	-	3,281,536
Capital projects	-	-	-	15,492,786	15,492,786
Legally restricted balances	864,939	-	-	-	864,939
Assigned for:					
Capital projects	-	-	25,077	346,882	371,959
Cafeteria programs	-	858,182	-	-	858,182
Educational programs	300,450	-	-	-	300,450
Total Fund Balances	<u>1,165,389</u>	<u>4,336,426</u>	<u>25,077</u>	<u>15,839,668</u>	<u>21,366,560</u>
Total Liabilities and Fund Balances	<u>\$ 2,268,196</u>	<u>\$ 4,789,342</u>	<u>\$ 25,077</u>	<u>\$ 15,874,138</u>	<u>\$ 22,956,753</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds		Capital Projects Funds		
	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
Revenues:					
Federal revenue	\$ 229,272	\$ 5,723,753	\$ -	\$ -	\$ 5,953,025
Other state	3,167,284	320,460	-	-	3,487,744
Other local	56,480	58,730	(560)	(312,043)	(197,393)
Total revenues	3,453,036	6,102,943	(560)	(312,043)	9,243,376
Expenditures:					
Current					
Instruction	2,048,001	-	-	-	2,048,001
Instruction-related services:					
School site administration	482,411	-	-	-	482,411
Pupil services:					
Food services	-	3,963,600	-	-	3,963,600
General administration:					
All other general administration	165,648	109,704	-	-	275,352
Plant services	185,467	6,814	-	46,347	238,628
Facilities acquisition & construction	503,505	-	-	87,505	591,010
Total expenditures	3,385,032	4,080,118	-	133,852	7,599,002
Excess (deficiency) of revenues over (under) expenditures	68,004	2,022,825	(560)	(445,895)	1,644,374
Other financing sources (uses):					
Transfers in	-	-	-	35,172	35,172
Transfers out	(76,073)	-	-	-	(76,073)
Total other financing sources (uses)	(76,073)	-	-	35,172	(40,901)
Change in fund balances	(8,069)	2,022,825	(560)	(410,723)	1,603,473
Fund balances beginning	1,173,458	2,313,601	25,637	16,250,391	19,763,087
Fund balances ending	\$ 1,165,389	\$ 4,336,426	\$ 25,077	\$ 15,839,668	\$ 21,366,560

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**STATE AND FEDERAL
AWARD COMPLIANCE
SECTION**

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

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

The Board of Education and District Administrators for the fiscal year ended June 30, 2022, included the following members:

Governing Board

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

Administration

Diego R. Ochoa.
Superintendent

David Chambliss
Assistant Superintendent for Educational Services

Sarah Drinkwater
Assistant Superintendent for Student Services

Sue Wieser
Assistant Superintendent for Human Resources

Patrick Gaffney
Chief Business Official

Blanca Cervantes-Madrigal
Director of Fiscal Services

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	4,329.52	4,326.22	4,319.85	4,317.61
Grades four through six	3,225.69	3,223.66	3,220.90	3,218.27
Grades seven and eight	2,044.45	2,043.15	2,044.45	2,043.03
Regular ADA Totals	9,599.66	9,593.03	9,585.20	9,578.91
Extended year Special education:				
Grades TK/K through three	3.37	3.37	3.37	3.37
Grades four through six	1.45	1.45	1.45	1.45
Grades seven and eight	2.39	2.39	2.39	2.39
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	3.67	4.42	3.67	4.42
Grades four through six	11.11	11.79	11.11	11.79
Grades seven and eight	8.14	8.83	8.14	8.83
Extended year special education - nonpublic, nonsect schools:				
Grades TK/K through three	0.12	0.12	0.12	0.12
Grades four through six	1.09	1.09	1.09	1.09
Grades seven and eight	1.31	2.40	1.31	2.40
ADA Totals	9,632.31	9,628.89	9,617.85	9,614.77

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirements	2022 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	43,200	180	0	In compliance
Grade 1	50,400	50,460	180	0	In compliance
Grade 2	50,400	50,460	180	0	In compliance
Grade 3	50,400	50,460	180	0	In compliance
Grade 4	54,000	54,000	180	0	In compliance
Grade 5	54,000	54,000	180	0	In compliance
Grade 6	54,000	54,135	180	0	In compliance
Grade 7	54,000	54,135	180	0	In compliance
Grade 8	54,000	54,135	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	(Budget ¹)			
	2023	2022	2021	2020
<u>General Fund</u>				
Revenues and other financial sources	\$ 178,633,350	\$ 175,646,254	\$ 170,868,286	\$ 156,621,442
Expenditures	186,622,165	170,793,119	160,464,790	146,731,098
Other uses and transfers (out)	33,959	35,172	35,357	33,937
Total outgo	186,656,124	170,828,291	160,500,147	146,765,035
Change in fund balance	(8,022,774)	4,817,963	10,368,139	9,856,407
Prior period adjustments - GASB 84	-	-	166,776	-
Ending fund balance	\$ 89,442,734	\$ 97,465,508	\$ 92,647,545	\$ 82,112,630
Available reserves ⁽²⁾	\$ 5,616,536	\$ 5,124,849	\$ 4,846,743	\$ 8,895,110
Reserve for economic uncertainties	\$ 5,616,536	\$ 5,124,849	\$ 4,846,743	\$ 4,569,694
Unassigned fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	3.0%	3.0%	3.0%	6.1%
Total long-term liabilities	\$ 600,010,318	\$ 625,891,681	\$ 691,801,527	\$ 549,383,351
Average daily attendance at P-2	9,632	9,632	11,154	11,154

Average daily attendance has decreased by 1522 over the last three years.

The district has operated at a surplus the past three years. Total long-term liabilities have increased by \$76,508,330 over the past three years.

The general fund's fund balance has increased by \$15,352,878 in the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

¹ Budget numbers are based on the first adopted budget of the fiscal year 2022/23.

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Program Name	Federal Catalog Number	Cluster Name	Pass Through Number	Major Program	Program Expenditures
U. S. DEPARTMENT OF EDUCATION:					
Passed through California Department of Education:					
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010		15438	Yes	\$ 198,241
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010		14329	Yes	888,604
ESEA (ESSA) : Title III, English Learner Student Program	84.365		14346		528,597
ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	84.424		15396		46,415
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367		14341		110,722
Education Stabilization Fund (ESF)					
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		15536	Yes	70
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D		15547	Yes	2,087,080
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D		15618	Yes	181,748
Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C		15619	Yes	94,802
Total Education Stabilization Fund (ESF) Subprograms					2,363,700
Passed through County SELPA:					
Special Education Cluster					
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	Spec Ed	13379	Yes	2,230,765
Special Ed: IDEA Preschool Grants, Part B, Sec 619	84.173	Spec Ed	13430	Yes	51,712
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	Spec Ed	13431	Yes	487
Special Ed: ARP IDEA Part B, Sec.611, Local Assistance Private School ISPs	84.027	Spec Ed	10169	Yes	3,400
Special Education: IDEA Local Assistance, Part B, Sec 611, Early Intervening Svs	84.027	Spec Ed	10119	Yes	273,433
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	Spec Ed	10115	Yes	16,019
Special Education Cluster					2,575,816
TOTAL U. S. DEPARTMENT OF EDUCATION:					6,712,095
U. S. DEPARTMENT OF AGRICULTURE:					
Passed through California Department of Education:					
Child Nutrition Cluster					
Child Nutrition: School Programs (NSL Sec 11)	10.555	Child Nutr.	13396		2,201,279
School Lunch Commodities	10.555	Child Nutr.	N/A		471,265
School Breakfast Basic Program	10.553	Child Nutr.	13390		1,274,281
Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimb.	10.555	Child Nutr.	15637		104,805
Child Nutrition: Supply Chain Assistance (SCA) Funds	10.555	Child Nutr.	15655		252,529
Child Nutrition Cluster					4,304,159
TOTAL U.S. DEPARTMENT OF AGRICULTURE					4,304,159
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Child Dev: Coronavirus Response and Relief Sup. App. (CRRSA) One-time Stipend	93.575		15555		76,073
Child Dev: ARP California State Preschool Program One-time Stipend	93.575		15640		75,600
Child Dev: Federal General (CCTR) and State Preschool (CSPP)	93.596	CCDF	13609		153,672
Passed through California Department of Health Services:					
MediCaid Cluster					
Medi-Cal Billing Option	93.778	Medicaid	10013		99,344
MediCaid Cluster					99,344
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					404,689
TOTAL EXPENDITURES					\$ 11,420,943

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

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

There were no charter schools sponsored by the District as of June 30, 2022.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Retiree Benefit Fund	Foundation Private-purpose Trust Fund	Enterprise Fund
June 30, 2022 Annual Financial and Budget Report Fund Balances.	\$ 67,372,641	\$ 101,665,745	\$ 6,106,651	\$ 37,463,713	\$ 28,831,352	\$ 26,118,906	\$ 144,293	\$ 5,320,523
Adjustments to reconcile audited financials:								
GASB 54 fund consolidations	32,104,648	-	-	-	(6,658,666)	(25,306,188)	(139,794)	-
Fair value adjustments	(2,011,781)	(3,632,978)	(195,060)	(1,166,019)	(806,126)	(812,718)	(4,499)	(161,430)
Prior period adjustments	-	-	-	-	-	-	-	(11,870,272)
GASB 68 and GASB 75 adjustments	-	-	-	-	-	-	-	1,878,829
June 30, 2022 Audited Financial Statements Fund Balances	<u>\$ 97,465,508</u>	<u>\$ 98,032,767</u>	<u>\$ 5,911,591</u>	<u>\$ 36,297,694</u>	<u>\$ 21,366,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,832,350)</u>

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION
FOR THE YEAR ENDED JUNE 30, 2022**

PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

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

C. 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.

D. Schedule of Expenditures of Federal Awards

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

E. Schedule of Charter Schools

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

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTION
FOR THE YEAR ENDED JUNE 30, 2022**

BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

<u>Description</u>	<u>Amount</u>
Federal expenditures as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance:	\$ 12,491,031
Sp. Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Svcs Resource Code 3312, PCA 10119	273,433
Child Dev: CRRSA Act- One-time Stipend Resource Code 5058, PCA 15555	76,073
National School Lunch Program Resource Code 5310, PCA 13396	<u>(1,419,594)</u>
Total Expenditures Schedule of Expenditures of Federal Awards	<u>\$ 11,420,943</u>

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

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

**OTHER INDEPENDENT
AUDITOR'S REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Mateo-Foster City School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise San Mateo-Foster City School District's basic financial statements, and have issued our report thereon dated December 15, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo-Foster City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which



Chavan and Associates, LLP
Certified Public Accountants

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

December 15, 2022
Morgan Hill, California



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

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

Report on Compliance for Each Major Federal Program

We have audited San Mateo-Foster City School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major federal programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of San Mateo-Foster City School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination of San Mateo-Foster City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Mateo-Foster City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about San Mateo-Foster City School District's compliance with the requirements of each major federal programs.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Mateo-Foster City School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Mateo-Foster City School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of San Mateo-Foster City School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

December 15, 2022
Morgan Hill, California



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

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

Report of State Compliance

We have audited the San Mateo-Foster City School District (the District)'s compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2022.

In our opinion, San Mateo-Foster City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2022.

Basis for Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the San Mateo-Foster City School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of San Mateo-Foster City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.



Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Mateo-Foster City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the San Mateo-Foster City School District's compliance with the requirements of applicable state compliance requirements listed in the *Audit Guide*.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A



Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunization	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	N/A
In Person Instructional Grant	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Districts	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
District Facility Grant Program	N/A

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding San Mateo-Foster City School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Mateo-Foster City School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of San Mateo-Foster City School District's internal control over compliance. Accordingly, no such opinion is expressed.



Chavan and Associates, LLP
Certified Public Accountants

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

C & A LLP

December 15, 2022
Morgan Hill, California

FINDINGS AND RECOMMENDATIONS

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section 1 - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.027 & 84.173	Special Education Cluster (IDEA)
84.425C/D	Education Stabilization Fund Subprograms
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs

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

State Awards

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

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Financial Statement Findings

No findings noted.

Section II – Federal Award Findings and Questioned Costs

No findings noted.

Section III – State Award Findings and Questioned Costs

No findings noted.

**SAN MATEO-FOSTER CITY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Financial Statement Findings

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

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

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

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

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

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

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

Status: Implemented.

Section II – Federal Award Findings and Questioned Costs

No findings noted.

Section III – State Award Findings and Questioned Costs

No findings noted.