

**SAN MATEO LOCAL AGENCY
FORMATION COMMISSION
COMMISSIONERS & MANAGEMENT REPORT**

**For the Year Ended
JUNE 30, 2020**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, CA

In planning and performing our audit of the basic financial statements of San Mateo Local Agency Formation Commission (LAFCo) for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of LAFCo's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist LAFCo in implementing the recommendations.

This report is intended solely for the information and use of management, the Commissioners, and officials of the federal and state grantor agencies and should not be used by anyone other than these specified parties.

We thank San Mateo Local Agency Formation Commission's staff for its cooperation during our audit.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 2, 2021

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, CA

We have audited the basic financial statements of the San Mateo Local Agency Formation Commission (LAFCo) for the year ended June 30, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 15, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAFCo. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by LAFCo are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by LAFCo during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Fair value of investments and financial instruments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The one accounting adjustment detected because of audit procedures and corrected by management was material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 2, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to LAFCo’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAFCo’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Commissioners of San Mateo Local Agency Formation Commission and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Mateo Local Agency Formation Commission
COMMISSIONERS & MANAGEMENT REPORT
For the Year Ended June 30, 2020

Current Year Observations

There were no current year observations.

Prior Year Observations

1) Trial Balance Reports

Observation:

During the course of our audit, it was noted that the trial balance report for fund 35700 did not balance. It was also noted that the cash balance was understated by \$120,109 in fund 35710 due to not all cash being transferred from the County general fund.

Recommendation:

We recommended all trial balances be reviewed monthly to ensure they balance, and the Cash accounts be reconciled every month.

Status:

In the 20-21 fiscal year management and staff now review end of month budget reports and presents quarterly financial reports to the Commission.

**SAN MATEO LOCAL AGENCY
FORMATION COMMISSION**

REDWOOD CITY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo Local Agency Formation Commission, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the San Mateo Local Agency Formation Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the San Mateo Local Agency Formation Commission, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements are intended to present the financial position and the respective changes in financial position of only those transactions attributable to San Mateo Local Agency Formation Commission. They do not purport to, and do not, present fairly the financial position of the County of San Mateo in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (pages 3-6) and the required supplementary information (page 19), 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.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 2, 2021

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

This section of San Mateo Local Agency Formation Commission's (LAFCo's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2020. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to LAFCo's audited financial statements, which are composed of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used, which best represents the activities of LAFCo.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of LAFCo.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of LAFCo's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of LAFCo's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of LAFCo as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of LAFCo's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of LAFCo's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of LAFCo's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report LAFCo's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of LAFCo's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of LAFCo and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of LAFCo as a whole.

The Statement of Net Position and the Statement of Activities present information about the following: *Governmental Activities* – LAFCo's basic services are considered to be governmental activities. These services are supported by specific general revenues from local agencies.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of LAFCo's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of LAFCo for the year and may change from year-to-year as a result of changes in the pattern of LAFCo's activities.

In LAFCo's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds

General Fund revenue increased this fiscal year compared to the prior year due primarily to increases in intergovernmental charges. Actual revenues were more than budgeted amounts by \$12,184.

General Fund expenditures were \$543,530, an increase of \$129,015 from the prior year primarily due to increase in salaries and benefits costs. Expenditures were \$53,042 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	2020 Governmental Activities	2019 Governmental Activities
Current assets	\$ 171,413	\$ 149,099
Total assets	<u>171,413</u>	<u>149,099</u>
Current liabilities	<u>19,047</u>	<u>263</u>
Total liabilities	<u>19,047</u>	<u>263</u>
Net position		
Unrestricted	<u>152,366</u>	<u>148,836</u>
Total net position	<u>\$ 152,366</u>	<u>\$ 148,836</u>

LAFCo's governmental net position amounted to \$152,366 as of June 30, 2020, an increase of \$3,530 from 2019. This increase is the Change in Net Position reflected in the Statement of Activities shown in Table 2.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2020

LAFCo's net position as of June 30, 2020 comprised the following:

- Cash and investments comprised \$167,410 of cash on deposit with the San Mateo County Treasury.
- Accounts payable totaling \$19,047.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. LAFCo had \$152,366 of unrestricted net position as of June 30, 2020.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	2020 Governmental Activities	2019 Governmental Activities
<u>Expenses</u>		
Local agency formation services	\$ 543,530	\$ 414,515
Total expenses	543,530	414,515
<u>Revenues</u>		
Program revenues:		
Intergovernmental revenue	491,255	420,841
Charges for services	20,040	13,458
Total program revenues	511,295	433,939
General revenues:		
Taxes and other	35,765	-
Total revenues	547,060	433,939
<u>Change in net position</u>	\$ 3,530	\$ 19,424

As Table 2 above shows, \$511,295 or 93% of LAFCo's fiscal year 2020 governmental revenue, came from program revenues and \$35,765 or 7%, came from general revenues.

Program revenues were composed of application and related fees of \$20,040.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

LAFCo has no capital assets.

Debt Administration

LAFCo does not utilize long-term debt to fund operations or growth.

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the various agencies served by LAFCo.

The economic condition of LAFCo as it appears on the balance sheet reflects financial stability. LAFCo will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting LAFCo's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of LAFCo's finances. Questions about this report should be directed to San Mateo Local Agency Formation Commission, 455 County Center, 2nd Floor, Redwood City, CA 94063.

San Mateo Local Agency Formation Commission

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 167,410
Accounts receivable	<u>4,003</u>
Total assets	<u>171,413</u>
LIABILITIES	
Accounts payable and other accrued expenses	<u>19,047</u>
Total liabilities	<u>19,047</u>
Net Position:	
Unrestricted net position	<u>152,366</u>
Total net position	<u><u>\$ 152,366</u></u>

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

San Mateo Local Agency Formation Commission
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

	Governmental Activities
Program expenses	
Salaries and benefits	\$ 455,409
Services and supplies	88,121
Total program expenses	543,530
 Program revenues:	
Intergovernmental revenue	491,255
Charges for service	20,040
Other revenue	35,765
Total program revenue	547,060
Net program expense	3,530
 Changes in net position	3,530
Beginning net position	148,836
 Ending net position	\$ 152,366

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

San Mateo Local Agency Formation Commission
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2020

	<u>General Fund</u>
Assets	
Cash and cash investments	\$ 167,410
Accounts receivable	<u>4,003</u>
Total assets	<u><u>\$ 171,413</u></u>
Liabilities and fund balance	
Liabilities:	
Accounts payable and other accrued expenses	\$ 19,047
Total liabilities	<u>19,047</u>
Fund balance:	
Assigned fund balances	<u>152,366</u>
Total fund balances	<u>152,366</u>
Total liabilities and fund balances	<u><u>\$ 171,413</u></u>

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

San Mateo Local Agency Formation Commission
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Fund balances-total government funds	\$ 152,366
Amount reported for governmental activities in the statement of net position is different because:	
None	<u>-</u>
Net position of governmental activities	<u>\$ 152,366</u>

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

San Mateo Local Agency Formation Commission
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

June 30, 2020

Revenues	<u>General Fund</u>
Intergovernmental revenue	\$ 491,255
Charges for service	20,040
Other revenue	<u>35,765</u>
Total revenues	<u>547,060</u>
Expenditures	
Salaries and benefits	455,409
Services and supplies	<u>88,121</u>
Total expenditures	<u>543,530</u>
Excess of revenues over (under) expenditures	3,530
Fund balances, beginning of the period	<u>148,836</u>
Fund balances, end of the period	<u><u>\$ 152,366</u></u>

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

San Mateo Local Agency Formation Commission
RECONCILIATION OF THE
STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE
STATEMENT OF ACTIVITIES

June 30, 2020

Net change in fund balance - total governmental funds	\$	3,530
The changes in net position reported for governmental activities in the statement of activities is different because:		
None		-
		-
		<hr style="border: 0.5px solid black;"/>
Changes in net position of governmental activities	\$	<u><u>3,530</u></u>

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

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - REPORTING ENTITY

A. Reporting Entity

The financial statements are intended to present the financial position and the respective changes in financial position of only those transactions attributable to San Mateo Local Agency Formation Commission. They do not purport to, and do not, present fairly the financial position of the County of San Mateo in conformity with U.S. generally accepted accounting principles.

B. Organization of LAFCo

San Mateo Local Agency Formation Commission (LAFCo) was formed in 1963. LAFCo is responsible for coordinating logical and timely changes in local government boundaries, conducting special studies that review ways to reorganize, simplify, and streamline governmental structure, and preparing a sphere of influence for each city and special district within its county. LAFCo's efforts are directed toward seeing that services are provided efficiently and economically while agricultural and open-space lands are protected. LAFCo also conducts service reviews to evaluate the provision of municipal services within its county.

C. Principles that Determine the Scope of Reporting Entity

LAFCo consists of seven voting members and four alternate members, and exercises the powers allowed by state statutes. This follows section 56325 of the Government Code. The basic financial statements of LAFCo consist only of the funds of LAFCo. LAFCo has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on, LAFCo.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

LAFCo's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

LAFCo has chosen to present its basic financial statements using the reporting model for special purpose governments engaged in a single government program.

This model allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

Government-wide Financial Statements

LAFCo's financial statements reflect only its own activities; it has no component units. The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

The statement of activities presents a comparison between direct expenses and program revenues for each segment of LAFCo's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods and services offered by the program. Revenues that are not classified as program revenues, including all intergovernmental revenues, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. LAFCo's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of LAFCo or meets the following criteria: Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type. The General Fund is always a major fund.

Governmental Funds

General Fund: This is the operating fund of LAFCo. The major revenue source for this fund is intergovernmental revenues. Expenditures are made for intergovernmental revenues projects and administration.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Under this method, revenues are recognized when "measurable and available." LAFCo considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are intergovernmental, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which LAFCo gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

B. Basis of Accounting (concluded)

LAFCo may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. LAFCo's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. LAFCo Budget

Pursuant to Section 56381, et seq of the Government Code, LAFCo adopts a preliminary budget by May 1 and a final budget by June 15 of each year. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by LAFCo. Individual amendments were not material in relation to the original appropriations that were amended.

D. Property, Plant and Equipment

LAFCo currently has no fixed assets.

E. Compensated Absences

LAFCo's staff are employed by the County of San Mateo and follow the San Mateo County's policy. Compensated absences comprise unpaid vacation, compensatory and holiday time which are eligible for payment upon separation from the County service. The liability for such time is reported in the San Mateo County's government-wide financial statements (CAFR) and not LAFCo's government-wide financial statements. The San Mateo County CAFR may be obtained by writing to: Office of the Controller, 555 County Center, 4th Floor, Redwood City, Ca 94063.

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, LAFCo recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by LAFCo that is applicable to a future reporting period.

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 LAFCo's San Mateo County Employees Retirement Association (SamCERA) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SamCERA. 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.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - CASH AND INVESTMENTS

LAFCo's cash is maintained with the San Mateo County Treasury in a non-interest-bearing account. LAFCo's cash on deposit with the San Mateo County Treasury at June 30, 2020 was \$167,410.

Credit Risk, Carrying Amount and Market Value of Investments

LAFCo maintains specific cash deposits with San Mateo County (County). San Mateo County is restricted by state code in the types of investments it can make. Furthermore, the San Mateo County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, San Mateo County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. In addition, LAFCo has its own investment policy as well.

San Mateo County's investment policy authorizes San Mateo County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2020, LAFCo's cash with the San Mateo County Treasurer was maintained in a non-interest-bearing account.

Fair Value Reporting - Investments

The County categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the County's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The County's holdings were an uncategorized input and not defined as a Level 1-3 input.

NOTE 4 - USE OF ESTIMATES

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 5 - CONTINGENCIES

LAFCo may be involved from time to time in various claims and litigation arising in the ordinary course of business. LAFCo management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on LAFCo's financial position or results of operations.

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. Since all LAFCo staff are considered "essential", the immediate impact to LAFCo's operations included new restrictions on employees' work location and planning heightened sanitation awareness requirements on office staff. It is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - FUND EQUITY

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below.

In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Commissioners serve as LAFCo's highest level of decision-making authority and have the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by LAFCo for specific purposes, subject to change, as established either directly by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, LAFCo specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, LAFCo's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Net Position

Net Position is the excess of all LAFCo's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of Net Position that is represented by the current net book value of LAFCo's capital assets, less the outstanding balance of any debt issued to finance these assets. *Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that LAFCo cannot unilaterally alter. *Unrestricted* describes the portion of Net Position that is not restricted to use.

All of LAFCo's Net Position is unrestricted.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - LAFCO'S EMPLOYEES' RETIREMENT PLAN

The San Mateo Employees Retirement Association (SamCERA) operates as a cost-sharing multiple employers defined benefit plan and administers the pension plan for the San Mateo County and its permanent employees.

Copies of SamCERA's annual financial reports, which include required supplementary information (RSI) for the Plan may be obtained by writing to: San Mateo County Employees Retirement Association, 100 Marine Parkway, Suite 125, Redwood City, CA 94065, or by calling (650) 599-1234.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFIT (OPEB)

Plan Description

The County of San Mateo administers a post-employment benefit (OPEB) sick leave conversion Retiree Health Plan (single employer defined benefit plan). LAFCo is a participant in this plan. This plan provides healthcare benefits to members who retire from the County and are eligible to receive a pension from SamCERA. Eligible retirees may elect to continue healthcare coverage in the County health plan and convert their sick leave balance at retirement to a County-paid monthly benefit that will partially fund their retiree health premiums. The County of San Mateo's OPEB liability is reported in the San Mateo County's government-wide financial statements and not LAFCo's government-wide financial statements.

San Mateo County issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for their OPEB retiree health plan. The CAFR may be obtained by writing to Office of the Controller, 555 County Center, 4th Floor, Redwood City, CA 94063.

San Mateo Local Agency Formation Commission
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual
For the Year Ended June 30, 2020
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
Revenues:				
Intergovernmental revenue	\$ 502,876	\$ 502,876	\$ 491,255	\$ (11,621)
Charges for services	32,000	32,000	20,040	(11,960)
Other revenue	<u>-</u>	<u>-</u>	<u>35,765</u>	<u>35,765</u>
Total revenues	<u>534,876</u>	<u>534,876</u>	<u>547,060</u>	<u>12,184</u>
Expenditures:				
Salaries and benefits	497,932	497,932	455,409	42,523
Services and supplies	<u>98,640</u>	<u>98,640</u>	<u>88,121</u>	<u>10,519</u>
Total expenditures	<u>596,572</u>	<u>596,572</u>	<u>543,530</u>	<u>53,042</u>
Excess of revenues over (under) expenditures	<u>\$ (61,696)</u>	<u>\$ (61,696)</u>	3,530	<u>\$ 65,226</u>
Fund balance, beginning of period			<u>148,836</u>	
Fund balance, end of period			<u>\$ 152,366</u>	