

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

**For the Year Ended
JUNE 30, 2023**

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Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

In planning and performing our audit of the financial statements of San Mateo Local Agency Formation Commission as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered San Mateo Local Agency Formation Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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.


O'Connor & Company

Novato, California
March 24, 2025

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

We have audited the basic financial statements of the San Mateo Local Agency Formation Commission (LAFCo) for the year ended June 30, 2023. 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 January 19, 2024, 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 providing 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 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.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 91 – Conduit Debt Obligations
GASB 94 – Public-Private and Public-Public and Availability Payment Arrangements
GASB 93 – Omnibus 2022, paragraphs 11-25
GASB 96 - Information Technology Subscription Arrangements

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:

- Nothing came to our attention.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

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.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether 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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 24, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like 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, 2023

Current Year Observations

There were no current year observations.

Prior Year Observations

There were no prior year observations.

**SAN MATEO LOCAL AGENCY
FORMATION COMMISSION**

REDWOOD CITY, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

Commissioners
San Mateo Local Agency Formation Commission
Redwood City, California

Report on Audit of the Financial Statements

Opinion

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, 2023, 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.

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 San Mateo Local Agency Formation Commission, as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 San Mateo Local Agency Formation Commission, 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 opinion.

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.

Responsibilities of Management 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. 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 San Mateo Local Agency Formation Commission'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 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

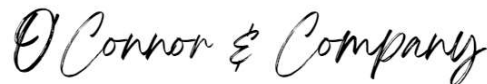
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 San Mateo Local Agency Formation Commission'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 San Mateo Local Agency Formation Commission'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 and budgetary comparison information on pages 3-6 and page 18, 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.



O'Connor & Company

Novato, California
March 24, 2025

San Mateo Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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, 2023. 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, including all of its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all 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 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 an accrual basis, which means they measure the flow of all economic resources of LAFCo.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – LAFCo's basic services are 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, 2023

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 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 a 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 revenues increased \$66,643 this fiscal year compared to the prior year. Actual revenues were less than budgeted amounts by \$206,518.

General Fund expenditures were \$602,046, a decrease of \$104,254 from the prior year primarily due to an unfilled analyst position. Expenditures were \$195,121 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

	2023 Governmental Activities	2022 Governmental Activities
Current assets	<u>\$ 294,444</u>	<u>\$ 274,467</u>
Total assets	<u>294,444</u>	<u>274,467</u>
Current liabilities	<u>86,610</u>	<u>55,036</u>
Total liabilities	<u>86,610</u>	<u>55,036</u>
Net position		
Unrestricted	<u>207,834</u>	<u>219,431</u>
Total net position	<u>\$ 207,834</u>	<u>\$ 219,431</u>

LAFCo's governmental net position amounted to \$207,834 as of June 30, 2023, a decrease of \$11,597 from 2022. This decrease 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, 2023

LAFCo's net position as of June 30, 2023 comprised the following:

- Cash and investments comprised \$291,550 of cash on deposit with the San Mateo County Treasury.
- Accounts receivable totaling \$2,894.
- Deferred revenue totaling \$72,259.
- Accounts payable totaling \$14,351.
- 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 \$207,834 of unrestricted net position as of June 30, 2023.

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

	<u>2023 Governmental Activities</u>	<u>2022 Governmental Activities</u>
<u>Expenses</u>		
Local agency formation services	\$ 602,046	\$ 706,300
Total expenses	602,046	706,300
<u>Revenues</u>		
Program revenues:		
Charges for services	29,958	33,727
General revenues:		
Intergovernmental revenue	548,826	484,789
Taxes and other	11,665	5,290
Total general revenues	560,491	490,079
Total revenues	590,449	523,806
<u>Change in net position</u>	\$ (11,597)	\$ (182,494)

As Table 2 above shows, \$29,958 or 5% of LAFCo's fiscal year 2023 governmental revenue came from program revenues and \$560,491 or 95%, came from general revenues.

Program revenues consisted of annexation charges of \$29,958.

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, 2023

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, 2023

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 291,550
Accounts receivable	2,894
Total assets	294,444
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Deferred revenue	72,259
Accounts payable and other accrued expenses	14,351
Total liabilities	86,610
 Net position:	
Unrestricted net position	207,834
Total net position	\$ 207,834

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, 2023

	<u>Governmental Activities</u>
Program expenses	
Services and supplies	\$ 602,046
Total program expenses	<u>602,046</u>
 Program revenues:	
Intergovernmental revenue	548,826
Charges for service	29,958
Other revenue	<u>11,665</u>
Total program revenue	<u>590,449</u>
Net program expense	<u>(11,597)</u>
 Changes in net position	 (11,597)
Net position, beginning of period	<u>219,431</u>
 Net position, end of period	 <u>\$ 207,834</u>

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

San Mateo Local Agency Formation Commission
GOVERNMENTAL FUNDS - BALANCE SHEET
 June 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash investments	\$ 291,550
Accounts receivable	2,894
Total assets	\$ 294,444
 <u>LIABILITIES</u>	
Deferred revenue	\$ 72,259
Accounts payable and other accrued expenses	14,351
Total liabilities	86,610
 <u>FUND BALANCES</u>	
Assigned fund balances	207,834
Total fund balances	207,834
Total liabilities and fund balances	\$ 294,444

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

San Mateo Local Agency Formation Commission
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
For the Year Ended June 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 207,834
Amount reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
None	<u>-</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 207,834</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, 2023

	<u>General Fund</u>
Revenues	
Intergovernmental revenue	\$ 548,826
Charges for service	29,958
Other revenue	11,665
Total revenues	590,449
 Expenditures	
Services and supplies	602,046
Total expenditures	602,046
Excess of revenues over (under) expenditures	(11,597)
Fund balances, beginning of the period	219,431
Fund balances, end of the period	\$ 207,834

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
For the Year Ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (11,597)

The changes in Net Position reported for governmental activities in the Statement of Activities are different because:

None

-

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (11,597)

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

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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.

LAFCo maintains a cash receipts journal for recording fees collected at 1851 Lexington Avenue. The assessment of property, collection of taxes, disbursement of cash, and the maintenance of the general ledger for funds held by the County are provided by the County of San Mateo. Custodianship of LAFCo's account and records for funds held by the County are vested with the Treasurer of San Mateo County.

The County of San Mateo maintains its financial records on a computer, utilizing a monthly reporting cycle. Every month the Controller issues a computer printout of revenues collected, disbursements by objective and a trial balance for the period then ended.

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 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.

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. They include all the funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and charges for services for performing annexation services.

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.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (concluded)

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 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 how spending activities are controlled. An emphasis is placed on major funds within the governmental categories.

The Fund Financial Statements are presented after the government-wide financial statements. These statements display information about major funds individually in a separate column and non-major funds in the aggregate for governmental funds. 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. LAFCo reported the following major governmental funds in the accompanying financial statements:

Governmental Funds

General Fund: This is the operating fund of LAFCo. The major source of revenue 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. 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.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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. Receivable and Payable Balances

LAFCo believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuration of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the year end. All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

E. Property, Plant and Equipment

LAFCo currently has no fixed assets.

F. Unearned Revenue

Unearned revenues represent amounts received, but not yet earned. Unearned revenue at June 30, 2023 was \$72,259.

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, 2023 was \$291,550.

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, 2023, LAFCo's cash with the San Mateo County Treasurer was maintained in a non-interest-bearing account.

Custodial Credit Risk – Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - CASH AND INVESTMENTS (concluded)

The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California agents of depository is held for, and in the name of, the local government.

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from rental properties. LAFCo did not have investments subject to recurring fair value measurements as of June 30, 2023.

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.

The Commission is currently litigating a proposal that the Commission approved in November 2023. Litigation was initiated by the East Palo Alto Sanitary District, the agency affected by the proposal, in March 2024 (East Palo Alto Sanitary Dist. v. San Mateo Local Agency Formation Comm'n - San Mateo County Superior Court-Case No. 24-CIV-01489). The outcome of this litigation cannot currently be determined.

San Mateo Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

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 with use 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 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.

Fund Balance Flow Assumption

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:

Net Investment in capital assets 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.

LAFCo's Net Position is unrestricted.

Net Position Flow Assumption

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

San Mateo Local Agency Formation Commission
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Budget and Actual
For the Year Ended June 30, 2023
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
Revenues:				
Intergovernmental revenue	\$ 766,967	\$ 766,967	\$ 548,826	\$ (218,141)
Charges for services	30,000	30,000	29,958	(42)
Other revenue	-	-	11,665	11,665
Total revenues	<u>796,967</u>	<u>796,967</u>	<u>590,449</u>	<u>(206,518)</u>
Expenditures:				
Services and supplies	<u>797,167</u>	<u>797,167</u>	602,046	195,121
Total expenditures	<u>797,167</u>	<u>797,167</u>	<u>602,046</u>	<u>195,121</u>
Excess of revenues over (under) expenditures	<u>\$ (200)</u>	<u>\$ (200)</u>	(11,597)	<u>\$ (11,397)</u>
Fund balance, beginning of period			<u>219,431</u>	
Fund balance, end of period			<u>\$ 207,834</u>	

RESOLUTION NO. 1335

**RESOLUTION OF THE
SAN MATEO LOCAL AGENCY FORMATION COMMISSION
APPROVAL OF THE AUDIT PREPARED BY O'CONNOR & COMPANY FOR THE COMMISSION'S FISCAL
STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2023**

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo (LAFCo), State of California, that:

WHEREAS, prior to 2018, the Commission's appropriations budget was part of the County of San Mateo General Fund and independently audited annually; and

WHEREAS, in 2018 the Commission's appropriations budget was transferred to a trust fund account that necessitated LAFCo to contract with an outside auditor to perform an independent audit; and

WHEREAS, LAFCo entered into an agreement with O'Connor & Company, formerly R. J. Ricciardi, Inc., for an audit of the Commission's Fiscal Statements for the year ending June 30, 2023; and

WHEREAS, the draft audit did not identify any deficiencies in internal controls nor any instances of non-compliance; and

WHEREAS, LAFCo staff continues to review monthly reports for the LAFCo accounts and works with County staff to reconcile accounts. LAFCo staff provides quarterly financial updates to the Commission which will allow for opportunities to review how LAFCo performed financially in the previous quarter as compared to the adopted budget and to discuss any issues as appropriate.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Commission hereby approves the draft audit prepared by O'Connor & Company of the San Mateo Local Agency Formation Commission's Financial Statements for the Fiscal Year ending June 30, 2023.

Regularly passed and adopted this 19 day of March.

Ayes and in favor of said resolution:

Commissioners: Rainaldi, Stephen
Ruddock, Debbie
Draper, Ann
Chang Kiraly, Virginia
Martin, Kati

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners: Speier, Jackie



Chair
Local Agency Formation Commission
County of San Mateo
State of California

ATTEST:

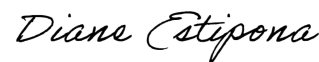


Executive Officer
Local Agency Formation Commission

Date: 3/19/25

I certify that this is a true and correct copy of the resolution above set forth.

Date: 3/19/2024



Clerk to the Commission
Local Agency Formation Commission