

Board of Directors Finance Committee Meeting

Due to the risk of COVID-19 transmission, and related local and State guidelines regarding social distancing and meetings of government bodies, this meeting will only be held remotely.

To join the meeting by video, click on:

<https://us02web.zoom.us/j/89837275671?pwd=Vll6QmhHSXNvR0tkbCtaaGtmNXh5UT09>

Meeting ID: 898 3727 5671 Passcode: 935027

To join the meeting by phone, call: 669-900-6833, ID: 89837275671#, Passcode: 935027#

AGENDA

November 19, 2020

2:30 PM

1. Roll Call

2. Public Comment This item is reserved for persons wishing to address the Board for up to two minutes on any District-related matters not listed on this agenda. Public comments for up to two minutes on matters listed on the agenda shall be heard at the time the matter is called.

3. Action to Set the Agenda

4. Regular Business

A. Review and discuss the District's Audited Financial Statements for January 1 – June 30, 2020 (attached)

B. Discuss the development of an Investment Policy for District funds*

5. Adjournment

* There is no written staff report for this item.

Meeting information, and public access and communications

- Public Comment can be submitted during the meeting via Zoom Chat or by raising your hand, speaking up at the appropriate time if joining by phone, or via email prior to 10:00 am on the day of the meeting to the Clerk of the Board at board@onshoreline.org; please indicate the agenda item to which your comment applies. All written comments received by 10:00 am will be read or summarized at the meeting by the Clerk of the Board.
- If you require assistance to participate in the meeting or wish to submit written communication to all Board Members regarding the meeting, please contact the Clerk of the Board by 10:00 am on the day of the meeting.
- Public records relating to an open session item on the agenda are available at least 72 hours prior to a Regular Board meeting or at least 24 hours prior to a Special Board meeting, when these records are distributed to Board members. Public records are available at the District office at 1700 South El Camino Real, Suite 502, San Mateo, CA 94402 and at onshoreline.org. To receive these documents electronically, please email board@onshoreline.org.

San Mateo County

Flood and Sea Level Rise

Resiliency District

Independent Auditor's Reports,
Basic Financial Statements,
Required Supplementary Information, and
Other Supplementary Information

For the Six-Month Period Ended June 30, 2020

San Mateo, California

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT Awards and Achievements 2020 Mayor's Awards



STATE OF CALIFORNIA



CERTIFICATE OF RECOGNITION

Presented to

SAN MATEO COUNTY FLOOD & SEA LEVEL RISE RESILIENCY DISTRICT
MAYOR'S AWARD WINNER

Warm congratulations on the occasion of your receipt of the Mayor's Award from the San Mateo Chamber of Commerce! Your hard work has made you stand out for this honor. Best wishes for all your future endeavors.

On this 13th day of February, 2020

Jerry Hill
JERRY HILL
Senator, 13th District

CALIFORNIA LEGISLATURE



CERTIFICATE OF RECOGNITION

San Mateo County Flood and Sea Level Rise Resiliency District

In honor and recognition of being awarded the Mayor's Award by the San Mateo Area Chamber of Commerce. Congratulations and best wishes in your future endeavors.

February 13, 2020



Kevin Mullin
Kevin Mullin, 22nd District
Speaker pro Tempore

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

FY2019-2020

BOARD OF DIRECTORS



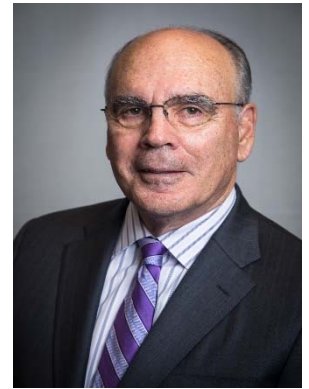
Dave Pine (Chair)
Board of Supervisors
At-Large



Debbie Ruddock
(Vice Chair)
Coastside



Diane Papan
Central San Mateo
County Cities



Don Horsley
Board of Supervisors
District 3



Donna Colson
Northern San Mateo
County Cities

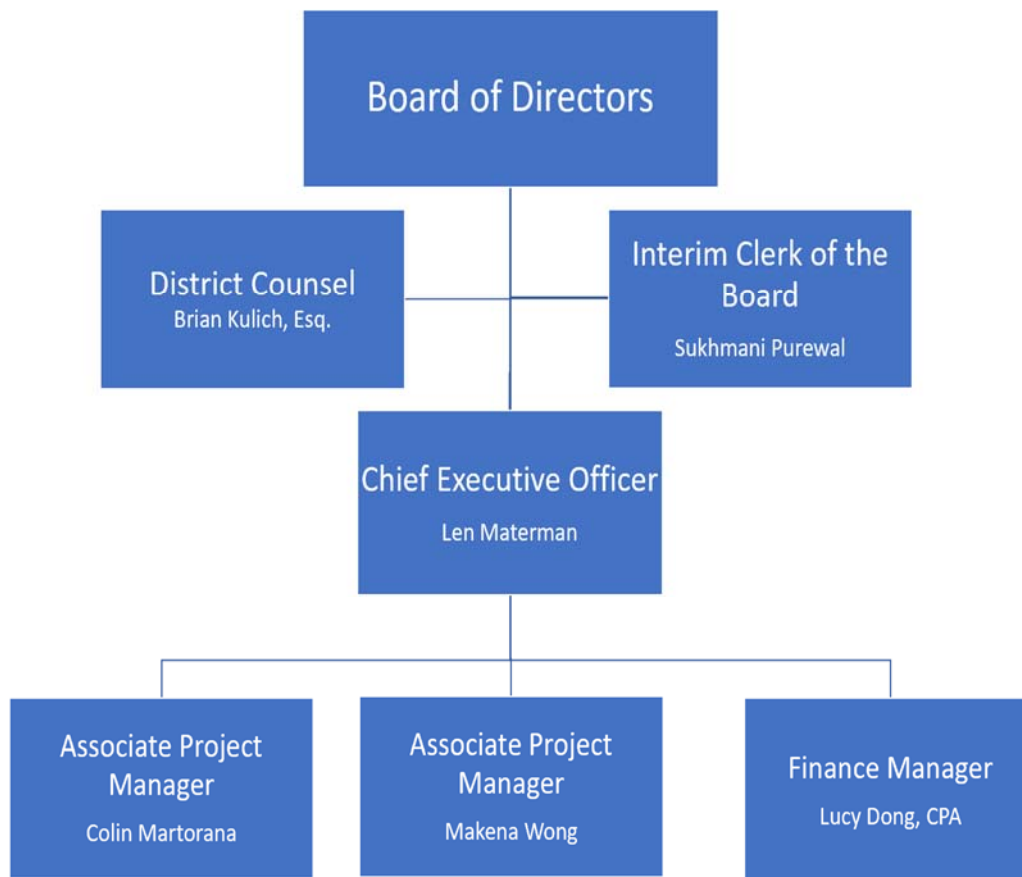


Lisa Gauthier
Southern San Mateo
County Cities



Maryann Moise Derwin
San Mateo County Cities
At-Large

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT ORGANIZATION CHART



**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
For the Six-Month Period Ended June 30, 2020**

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Independent Auditor's Report

San Mateo County
Flood and Sea Level Rise Resiliency District
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Flood and Sea Level Rise Resiliency District (District) as of and for the six-month period ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as noted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the schedule of cities support are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

Walnut Creek, California
November XX, 2020

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

This Management's Discussion and Analysis provides a narrative overview and analysis of the District's financial activities for the six-month period ended June 30, 2020. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Government-wide financial position

The District's assets exceeded its liabilities and deferred inflows of resources at the close of the six-month period ended June 30, 2020 by \$27.8 million (net position):

District's Net Position
June 30, 2020

Assets:	
Current and other assets	\$ 33,801,526
Capital assets	12,929,964
Total assets	46,731,490
Liabilities:	
Long-term liabilities	18,262,942
Other liabilities	628,750
Total liabilities	18,891,692
Deferred inflows of resources	39,429
Net position:	
Net investment in capital assets	(5,492,939)
Restricted	1,126,103
Unrestricted	32,167,205
Total net position	\$ 27,800,369

The District's net position at June 30, 2020 is subdivided into the following components:

- (\$5.5 million) represents the District's investment in capital assets (*net investment in capital assets*). This is comprised of the net book value of capital assets at June 30, 2020 reduced by the balance of obligations pertaining to capital-related activities. These capital assets and related obligations are used to provide services to citizens and are not available for future spending.
- \$1.1 million represents resources that are subject to external restrictions on their use and are available to meet the District's ongoing obligations for programs with external restrictions (*restricted net position*).
- \$32.2 million is available to fund District's programs for citizens and debt obligations to creditors (*unrestricted net position*).

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

The District held \$46.7 million in total assets at June 30, 2020 which were subdivided into the following components:

- \$33.8 million in current and other assets, which are comprised of \$33.2 in cash and cash equivalents, \$0.3 million in receivables and \$0.3 million in prepaid expenses.
- \$12.9 million in capital assets, net of accumulated depreciation.

The District held \$18.9 million in total liabilities at June 30, 2020 which were subdivided into the following components:

- \$18.3 million in long-term liabilities, which are comprised of outstanding principal and unamortized premium on the District’s 2015 revenue refunding bonds as well as accrued vacation for the District’s employees at June 30, 2020.
- \$0.3 million in accounts payable.
- \$0.3 million in accrued interest payable.

Fund financial position

The District's governmental funds reported combined fund balances of \$33.5 million at June 30, 2020. About \$32.1 million (assigned fund balance) of this amount, or 96%, is available for spending at the District's discretion.

**District's Fund Balance
June 30, 2020**

Nonspendable	\$ 308,000
Restricted	1,126,103
Assigned	<u>32,074,819</u>
Total fund balance	<u><u>\$ 33,508,922</u></u>

Capital assets and debt administration

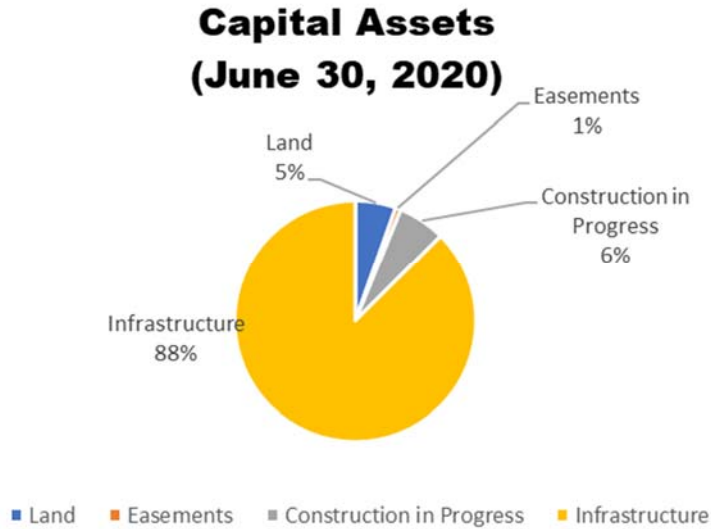
The District's capital assets balance was reported \$12.9 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District’s capital assets as of June 30, 2020 is comprised of the followings:

**Capital Assets
Net of Accumulated Depreciation**

Land	\$ 702,962
Easements	92,419
Construction in progress	823,405
Infrastructure, net	<u>11,311,178</u>
Total capital assets, net	<u><u>\$ 12,929,964</u></u>

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

The District’s capital assets are comprised of and distributed as follows:



Additional information on the District's capital assets can be found in Note 4 on page 28 of this report.

The District's total long-term obligations were reported at \$18.3 million as of June 30, 2020, which is derived from the outstanding principal and premium of the 2015 Colma Creek revenue refunding bonds and outstanding obligations for accrued vacation leave as indicated in the table below:

Long Term Obligations

2015 Revenue refunding bonds - principal	\$ 16,135,000
2015 Revenue refunding bonds - premium	2,121,164
Accrued vacation leave	6,778
Total long term obligations	<u>\$ 18,262,942</u>

Additional information on the District's long-term obligations can be found in Note 5 on page 28 of this report.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of two components:

- (1) **Government-wide** financial statements
- (2) **Fund** financial statements

The notes to the basic financial statements provide additional context to the various areas of the basic financial statements.

San Mateo County Flood and Sea Level Rise Resiliency District

Management's Discussion and Analysis

Required Supplementary Information (Unaudited)

For the Six-Month Period Ended June 30, 2020

Government-wide Financial Statements provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include public protection.

The government-wide financial statements can be found on pages 17-18 of this report.

Fund Financial Statements provide a narrower view of the District's finances. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the District are governmental funds which include general, special revenue and debt service funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of governmental activities, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information for the General Fund and the other major funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the nonmajor governmental funds is provided in the combining statements in this report as supplementary information.

The governmental fund financial statements can be found on pages 19 - 22 of this report.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

Notes to the Basic Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 23 - 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the District's net position may serve over time as a useful indicator of whether the District's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the District's overall financial position. The District's net position is summarized as follows:

District's Net Position
June 30, 2020

Assets:	
Current and other assets	\$ 33,801,526
Capital assets	12,929,964
Total assets	46,731,490
Liabilities:	
Long-term liabilities	\$ 18,262,942
Other liabilities	628,750
Total liabilities	18,891,692
Deferred inflows of resources	39,429
Net position:	
Net investment in capital assets	(5,492,939)
Restricted	1,126,103
Unrestricted	32,167,205
Total net position	\$ 27,800,369

Assets

- *Cash and cash equivalents* reported to \$33.2 million at June 30, 2020. \$30.8 million was deposited in San Mateo County Treasurer's Pool, \$1.25 million was deposited in District's Wells Fargo Bank Account, \$1.1 million was deposited in US Bank for debt service payment.
- *Interest receivable* reported to \$118,198 at June 30, 2020 represents proportionate interest earned at the end of June 30, 2020 and will be distributed in 60 days after fiscal year end.
- *Taxes receivable* reported to \$152,459 at June 30, 2020 represents the property tax was earned at the end of June 30, 2020 and will be distributed in 60 days after fiscal year end.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

- *Prepaid expenses* reported to \$322,454 at June 30, 2020. \$308,000 out of prepaid expenses was for San Francisquito Creek Joint Powers Authority Fiscal Year 2020-21 contribution.
- *Capital assets* amount to \$12.9 million, net of accumulated depreciation, and are broken down further in the tables on page 4.

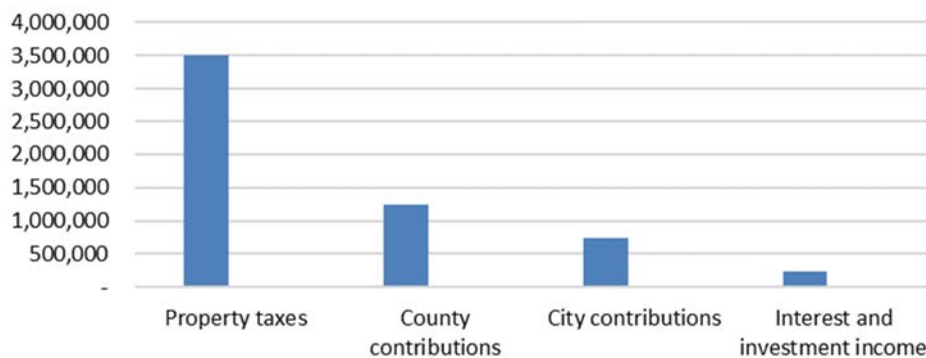
Liabilities

- *Accounts Payable* reported to \$292,604 at June 30, 2020 and represents the sum of all outstanding amounts the District owned to vendors for goods or services received that have not yet been paid for at the end of fiscal year.
- *Accrued Interest* reported to \$336,146 at June 30, 2020 and represents the amount of the interest which the District has been incurred as of June 30, 2020, on 2015 Colma Creek revenue refunding bond but has not yet been paid out.
- *Long-term obligations* reported to \$18.3 million at June 30, 2020 and are further broken down in the table on pg.5. The District has \$710,000 in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$17.5 million in debt service principal payments due beyond one year on the same bonds. \$6,778 is also accrued for the District’s accrued vacation leave which is due within one year.

Deferred inflows of resources reported to \$39,429 at June 30, 2020 represents deferred gain on 2015 Colma Creek revenue refunding bond.

Analysis of Governmental Activities - Revenues

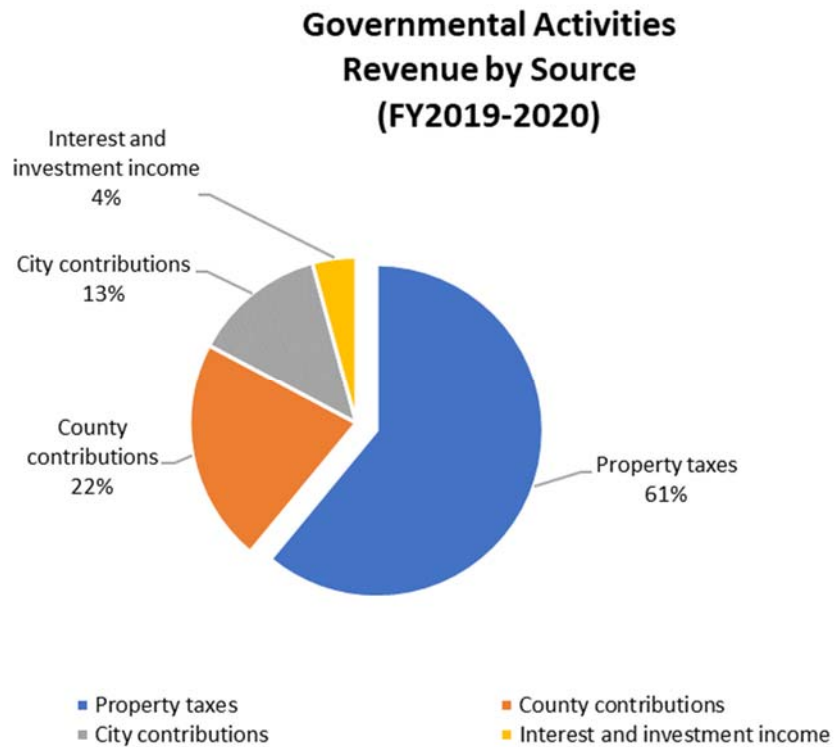
**Governmental Activities
Revenue by Source
(FY2019-2020)**



Program Revenues accounted for 35% of the District’s overall governmental activities revenues. Program revenues reported \$2 million at June 30, 2020. \$745,000 were contributed by 20 local cities as first year start-up funding support for the District and \$1.25 million were contributed by San Mateo County which included \$500,000 Measure K additional start-up funding support to the District.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

The District's revenues for the six-month period ended June 30, 2020 are comprised of and distributed as follows:



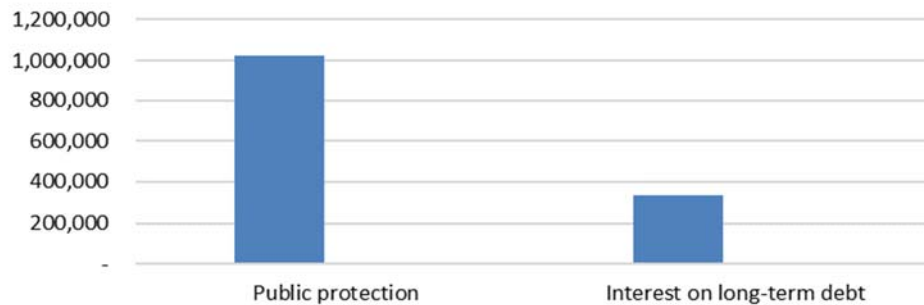
General Revenues reported to \$3.7 million and accounted for 65% of the District's overall governmental activities revenues. General Revenues primarily consisted:

- *Property Tax Revenues* reported \$3.5 million and generated from the District's 9 flood control zones contained within 5 special revenue funds reported in the basic financial statements.
- *Interest and Investment Income* reported \$243,471 and accounted for 4% of the District's overall governmental activities revenues.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

Analysis of Governmental Activities - Expenses

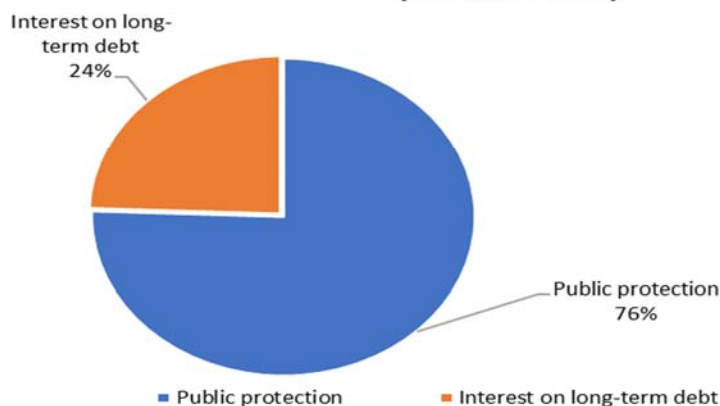
**Governmental Activities
Expense by Function/Program
(FY2019-2020)**



- **Expenses for *Public Protection*** accounted for 76% of the District’s overall governmental activities expenses. Public protection reported \$1,026,777 at June 30, 2020, \$722,046 was the costs of Services and Supplies, \$134,372 was the costs of Salaries and Benefits and \$170,360 was costs for depreciation on various infrastructure capital assets.
- **Expenses for *Interest on long-term debt*** is current portion of the accrued interest of 2015 Colma Creek Revenue Refunding bond, reported \$332,181 and accounted for 24% of the District’s overall governmental activities expenses.

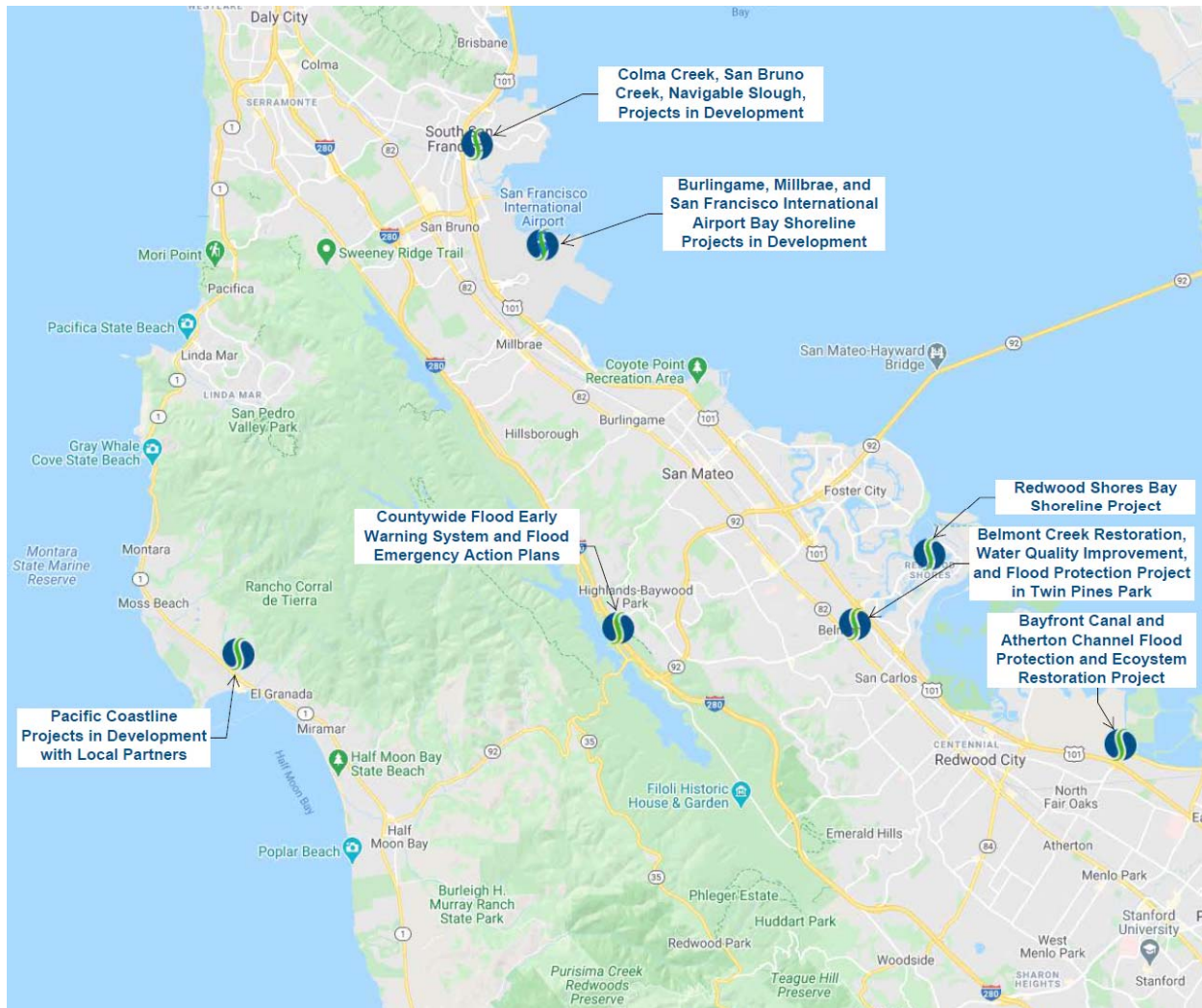
The District’s expenses for the six-month period ended June 30, 2020 are comprised of and distributed as follows:

**Governmental Activities
Expense by Function/Program
(FY2019-2020)**



**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

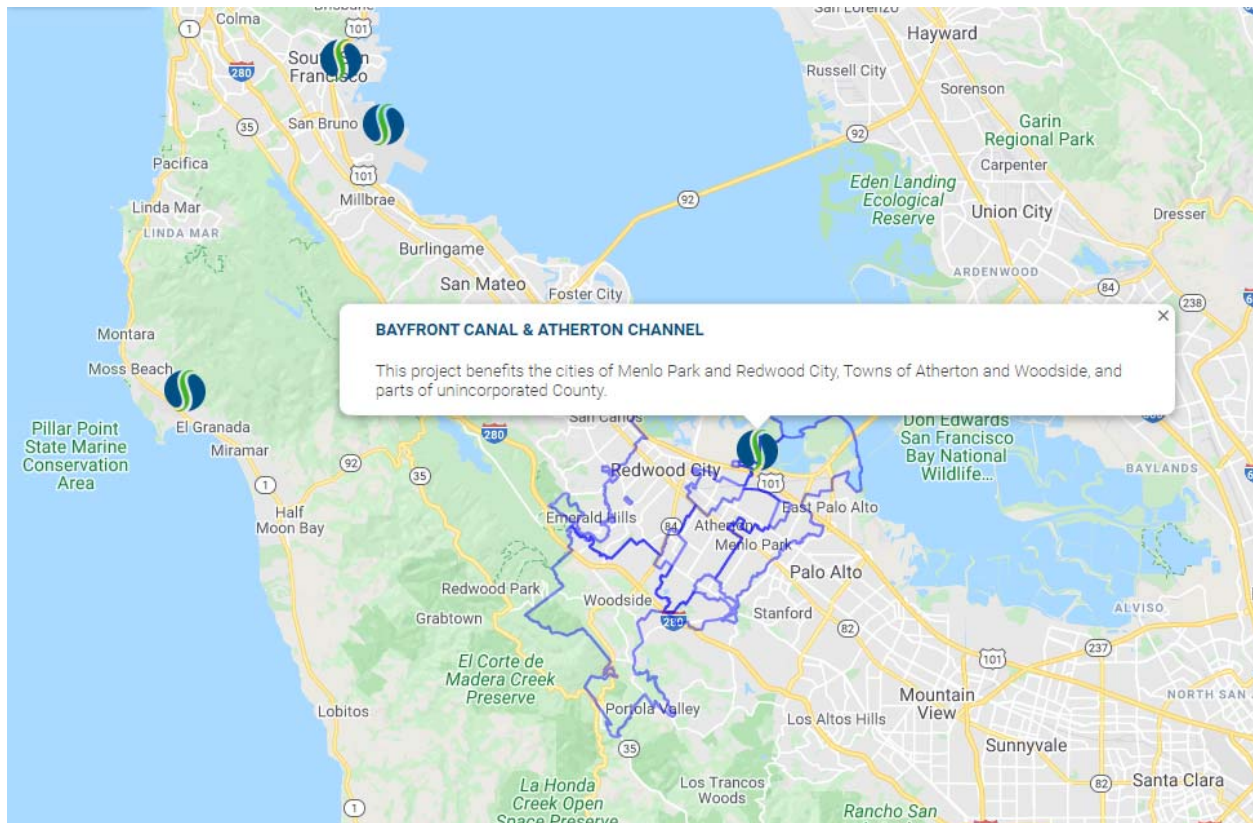
The District’s current ongoing projects are outlined on the following pages. The Bay Area map below reflects the site locations for these projects:



San Mateo County Flood and Sea Level Rise Resiliency District Management's Discussion and Analysis

Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project



The Bayfront Canal-Atherton Channel watershed drains a predominantly urban, and low-elevation area in San Mateo County, collecting stormwater runoff from the Cities of Menlo Park and Redwood City, Towns of Atherton and Woodside, and parts of unincorporated County. Neighborhoods adjacent to Bayfront Canal and Atherton Channel within the jurisdictions of Redwood City, Menlo Park, and Atherton have experienced flooding 40 times during storm events over the past 70 years, most recently in 2017.

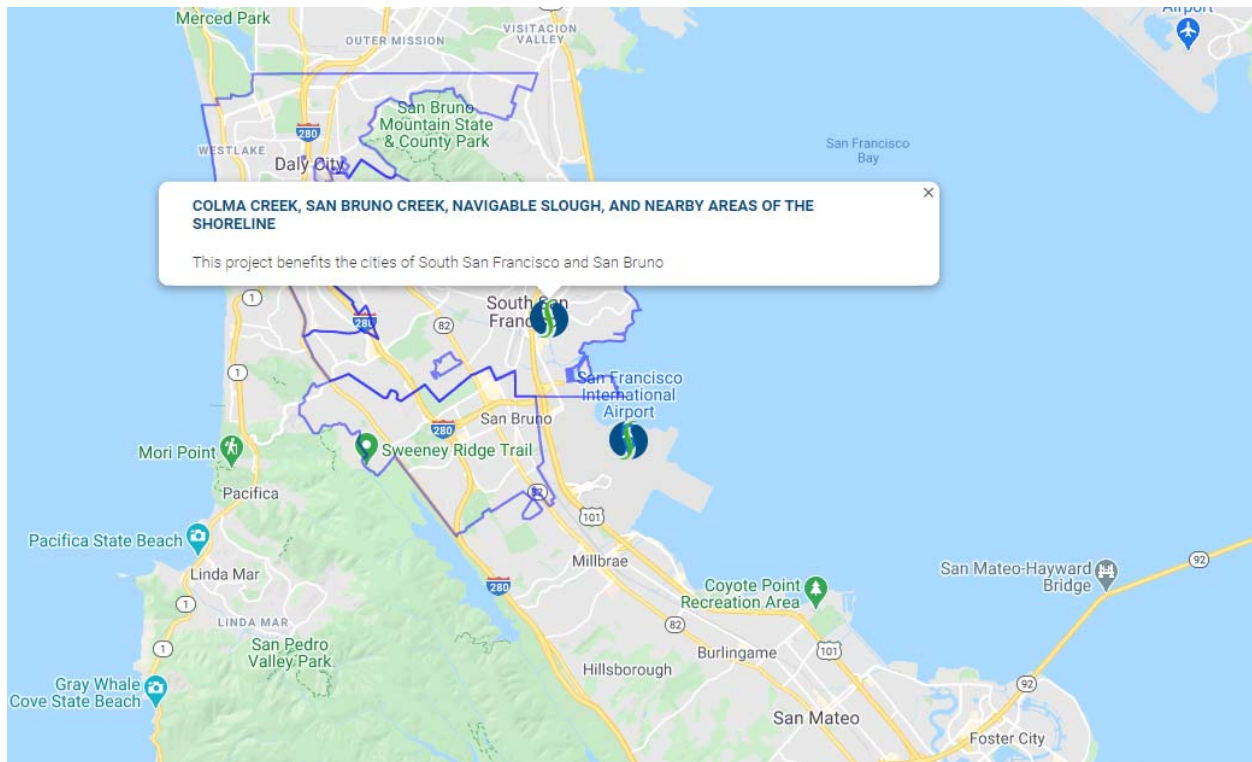
Between 2017-2019, San Mateo County, Menlo Park, Redwood City, and Atherton collectively led an effort to build upon previous work to develop the Bayfront Canal and Atherton Channel Watershed Flood Management Plan. The Plan seeks to identify and prioritize regional improvement projects that can attenuate flood flow peaks and reduce downstream flood risks, while maximizing the potential for additional benefits. These multi-beneficial projects include hydraulic infrastructure solutions, stormwater capture projects such as green infrastructure street improvements, and centralized facilities that divert storm drain or creek flows for detention, infiltration, or reuse.

Now, the District is leading a collaboration with these four entities, as well as the South Bay Salt Pond Restoration Project, Cargill, and other stakeholders to implement the first and most urgent solution in the regional Flood Management Plan: to reduce the most frequent flooding during storms and high tides. This project will reroute Bayfront Canal (after it converges with Atherton Channel), safely discharging floodwaters from both into former salt ponds, which will improve the habitat of that area. In February 2020, the District Board certified the environmental documentation on this project; we are currently completing the design and permitting process, and plan to begin construction by the end of 2020.

San Mateo County Flood and Sea Level Rise Resiliency District Management's Discussion and Analysis

Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

Colma Creek, San Bruno Creek, Navigable Slough, and nearby areas of the shoreline



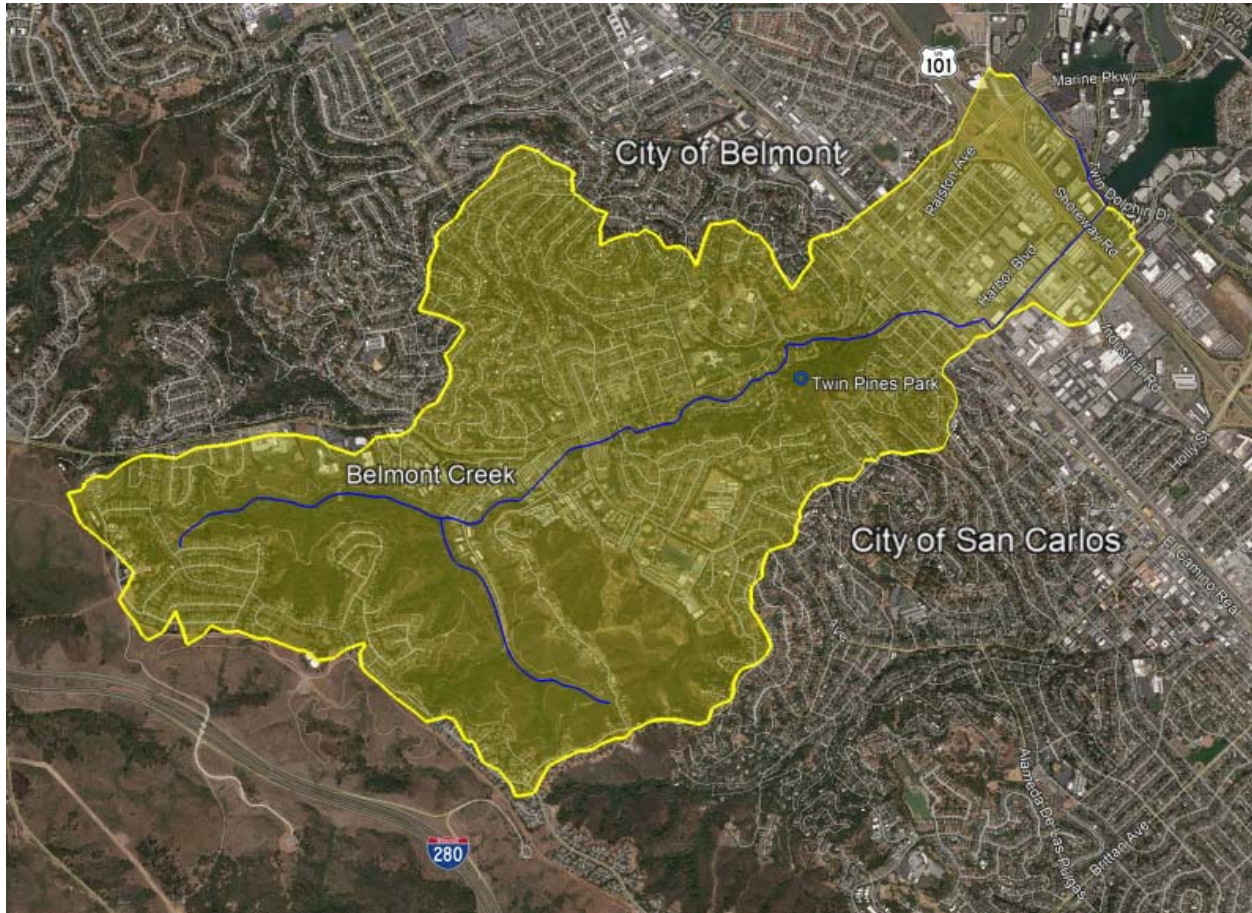
Colma Creek, San Bruno Creek, and Navigable Slough are connected waterways within the cities of South San Francisco and San Bruno that are prone to flooding, especially during high tide levels in the San Francisco Bay. Colma Creek and San Bruno Creek comprise two of the three long-standing active flood zones that OneShoreline inherited from the former San Mateo County Flood Control District (the third is San Francisquito Creek). Over many years, potential projects along these waterways to address flooding, and enhance the environment and recreation, have been extensively studied by these cities and San Mateo County. Over the summer of 2020, the District conducted a survey of these studies and potential projects to establish potential priorities for upcoming projects.

Belmont Creek Restoration, Water Quality Improvement, and Flood Protection Project in Twin Pines Park

From 2017-2019, San Mateo County and the cities of Belmont and San Carlos collectively worked to identify solutions to recurrent flooding from Belmont Creek that impacts properties in both cities and an area of the County between Old County Road and Industrial Road, as well as a Caltrain underpass.

The product of their work, the Belmont Creek Watershed Management Plan, analyzed flow capacity and bank stability, as well as erosion issues, and developed a series of potential projects to reduce the flood threat, sustain the Creek's riparian corridor, and build green infrastructure to improve water quality. In addition to prioritizing specific projects, the plan identified funding opportunities and presented guidance for community engagement.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**



Executive Overview

The following describes three of many finance-related administrative and project-specific efforts of the District during the period of this audit.

Transition to Financial Independence

For the first six months of its existence (until June 30, 2020), the District maintained its general ledger within San Mateo County’s financial accounting system. Effective July 1, 2020, the District transitioned to an independent cloud-based fund accounting system, AccuFund, that provides general ledger, accounts payable, cash receipts, bank reconciliation, and financial and budget reporting. After July 1, 2020, the District separated its financial operations from the County, including a transfer on September 15, 2020, of all District cash balances held within the County pool to a District bank account.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

Urban Streams Restoration Program Grant

In March of 2020, the California Department of Water Resources awarded to the District a \$1 million grant from the Urban Streams Restoration Program. The grant will fund the restoration of Belmont Creek through the City of Belmont's Twin Pines Park, an important recreational area for the region. The Creek's reach through the Park is subject to severe erosion and undercutting, which has led to bank failure and significant downstream sediment deposition. These processes have resulted in a loss of land and occasional closures within the Park and contributed to downstream flooding and property damage in the City of San Carlos and unincorporated San Mateo County. Board action was taken to accept these grant funds at the November 9, 2020 Board meeting.

Statewide Flood Emergency Response Grant

The Department of Water Resources first entered into the Flood Emergency Alert and Preparedness Project grant agreement with the County of San Mateo in August of 2019. With the formation of the District in January 2020, the grant and the associated project responsibilities were transferred to the District, taking effect with District Board action on May 11, 2020. The grant provides funding to improve the region's flood emergency monitoring, warning, and response, through enhancements to equipment, and regional communication, planning, and training.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 33,208,415
Interest receivable	118,198
Taxes receivable	152,459
Prepaid expenses	322,454
Capital assets, net of accumulated depreciation	
Nondepreciable	1,618,786
Depreciable	11,311,178
Total Assets	46,731,490
Liabilities	
Accounts payable	292,604
Accrued interest	336,146
Long-term liabilities	
Revenue refunding bonds - due within one year	710,000
Revenue refunding bonds - due beyond one year	17,546,164
Accrued vacation leave - due within one year	6,778
Total Liabilities	18,891,692
Deferred Inflows of Resources	39,429
Net Position	
Net investment in capital assets	(5,492,939)
Restricted for debt service	1,126,103
Unrestricted	32,167,205
Total net position	\$ 27,800,369

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Activities
For the Six-Month Period Ended June 30, 2020

	Governmental Activities
Program Expenses	
Public protection	\$ 1,026,777
Interest on long-term liabilities	332,181
Total Program Expenses	1,358,958
Program Revenues	
Operating grants and contributions	1,995,000
Net Program Expenses	636,042
General Revenues	
Property tax	3,499,521
Interest and investment income	243,471
Other	2,768
Total General Revenues	3,745,760
Special Item	
Net position transfer from County Flood Control District as of January 1, 2020	23,418,567
Change in Net Position	27,800,369
Net Position - Beginning	-
Net Position - Ending	\$ 27,800,369

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,465,785	\$ 25,963,592	\$ 3,512,205	\$ 1,122,309	\$ 1,144,524	\$ 33,208,415
Interest receivable	1,616	98,629	12,835	-	5,118	118,198
Taxes receivable	-	121,997	9,615	-	20,847	152,459
Other assets	1,080	-	460	12,914	308,000	322,454
Total Assets	<u>\$ 1,468,481</u>	<u>\$ 26,184,218</u>	<u>\$ 3,535,115</u>	<u>\$ 1,135,223</u>	<u>\$ 1,478,489</u>	<u>\$ 33,801,526</u>
Liabilities						
Accounts payable	\$ 121,831	\$ 153,199	\$ 7,253	\$ 9,120	\$ 1,201	\$ 292,604
Fund Balances						
Nonspendable	-	-	-	-	308,000	308,000
Restricted	-	-	-	1,126,103	-	1,126,103
Assigned	1,346,650	26,031,019	3,527,862	-	1,169,288	32,074,819
Total Fund Balances	<u>1,346,650</u>	<u>26,031,019</u>	<u>3,527,862</u>	<u>1,126,103</u>	<u>1,477,288</u>	<u>33,508,922</u>
Total Liabilities and Fund Balances	<u>\$ 1,468,481</u>	<u>\$ 26,184,218</u>	<u>\$ 3,535,115</u>	<u>\$ 1,135,223</u>	<u>\$ 1,478,489</u>	<u>\$ 33,801,526</u>

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2020

Fund balances - total governmental funds	\$ 33,508,922
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	12,929,964
Interest payable on long-term liabilities does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.	(336,146)
Deferred inflows of resources in governmental activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(39,429)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue refunding bonds	(16,135,000)
Premium on revenue refunding bonds	(2,121,164)
Accrued vacation leave	<u>(6,778)</u>
Net position of governmental activities	<u>\$ 27,800,369</u>

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Six-Month Period Ended June 30, 2020

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ -	\$ 3,016,383	\$ 237,201	\$ -	\$ 245,937	\$ 3,499,521
County contributions	1,250,000	-	-	-	-	1,250,000
City contributions	745,000	-	-	-	-	745,000
Interest and investment income	2,048	204,186	26,899	-	10,338	243,471
Other	1,080	1,688	-	-	-	2,768
Total Revenues	<u>1,998,128</u>	<u>3,222,257</u>	<u>264,100</u>	<u>-</u>	<u>256,275</u>	<u>5,740,760</u>
Expenditures						
Salaries and benefits	127,594	-	-	-	-	127,594
Services and supplies	505,131	176,703	20,745	9,058	10,408	722,045
Capital outlay	18,753	108,557	-	-	-	127,310
Debt service - interest	-	-	-	403,803	-	403,803
Total Expenditures	<u>651,478</u>	<u>285,260</u>	<u>20,745</u>	<u>412,861</u>	<u>10,408</u>	<u>1,380,752</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	1,113,375	-	1,113,375
Transfers out	-	(1,113,375)	-	-	-	(1,113,375)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,113,375)</u>	<u>-</u>	<u>1,113,375</u>	<u>-</u>	<u>-</u>
Special Item						
Fund balance transfer from County Flood Control District as of January 1, 2020	-	24,207,397	3,284,507	425,589	1,231,421	29,148,914
Net Change in Fund Balances	1,346,650	26,031,019	3,527,862	1,126,103	1,477,288	33,508,922
Fund Balances - Beginning	-	-	-	-	-	-
Fund Balances - Ending	<u>\$ 1,346,650</u>	<u>\$ 26,031,019</u>	<u>\$ 3,527,862</u>	<u>\$ 1,126,103</u>	<u>\$ 1,477,288</u>	<u>\$ 33,508,922</u>

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities
For the Six-Month Period Ended June 30, 2020

Net change in fund balances - total governmental funds \$ 33,508,922

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 127,310	
Less current year depreciation	(170,360)	(43,050)

The District was newly formed effective January 1, 2020 and established balances for its assets and liabilities which were transferred over from the original flood control district under the County of San Mateo. The impact of these transferred balance sheet items from the original flood control district are presented as a special item on the statement of revenues, expenditures and changes in fund balances and those assets and liabilities that do not reflect current financial resources are reconciling items for the value of the special item between the fund financial statements and the government-wide financial statements.

Transfer of 2015 outstanding principal for revenue refunding bonds	(16,135,000)	
Transfer of outstanding premium on 2015 revenue refunding bonds	(2,191,479)	
Deposit for payment of County accrued interest payable	(336,146)	
Transfer of deferred gain on refunding	(40,736)	
Transfer of net book value capital assets	12,973,014	(5,730,347)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Amortization of bond premium	70,315	
Amortization of deferred gain on refunding	1,307	
Change in accrued vacation leave	(6,778)	64,844

Change in net position of governmental activities \$ 27,800,369

The accompanying notes are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements
For the Six-Month Period Ended June 30, 2020

1. FINANCIAL REPORTING ENTITY

On February 23, 2016, the San Mateo County Board of Supervisors (County Board) approved a report entitled “Improving Flood Control in San Mateo County’s Areas of Responsibilities” (Report) and approved Resolution No. 074363 for an Appropriation Transfer Request to begin implementation of the Report’s recommendations. This included funding totaling \$6.2 million from the County general fund over a three-year period to establish a program to address flood risks in the County’s areas of responsibility as outlined in the Report.

In May of 2017, C/CAG’s Countywide Water Coordination Committee (Committee) was established, which consisted of seven city elected officials and one member of the County Board. In April 2018, the Committee convened a Staff Advisory Team (SAT) comprised of 18 staff level representatives from C/CAG, the County, cities, and other water-related or interested agencies to help develop a proposal to establish a new water management agency.

The SAT, in coordination with the Committee, developed an overall roadmap for the process to create a new agency as described in the “Flood and Sea Level Rise Resiliency Agency Proposal” (Proposal), dated December 21, 2018. This was reviewed and approved by the County Board on January 29, 2019. The Proposal revised (through special legislation) the 1959 San Mateo Flood Control District Act (Act) to change the governance of the District from the County Board to a seven-member board consisting of five city members and two County Board members. The revisions to the Act also enhanced authorities related to sea level rise and coastal erosion, clarified funding and financing authorities to reflect current state regulations/constitutional restrictions, and changed the name of the entity to the Flood and Sea Level Rise Resiliency District. The new entity was officially formed effective January 1, 2020. The District’s mission and role is to address sea level rise, flooding, coastal erosion, and large-scale storm water infrastructure improvements through integrated regional planning, design, permitting, project implementation, and long-term operations and maintenance to create a resilient “one shoreline” approach in San Mateo County by 2100.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities report the financial activities of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues of the District. Direct expenses are those that are specifically associated with the District’s operations. Program revenues refer to grants, contributions, and other revenues that meet the operational requirements of the program. Any revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, which are each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are presented as separate columns in the fund financial statements.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- The *General Fund* serves as the District's primary operating fund and accounts for all financial resources and transactions of the District, except those accounted for in another fund.
- The *Colma Creek Flood Control Fund* accounts for funds that support various flood control projects within the City of Colma Creek. This fund is financed by property taxes.
- The *San Bruno Creek Flood Control Fund* accounts for funds that support various flood control projects within the City of San Bruno. This fund is financed by property taxes.
- The *Debt Service Fund* accounts for the accumulation and resources for, and the payment of, long-term debt principal, interest, and related costs.

(b) Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be available when they are collectible within two months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

(c) Implementation of Governmental Accounting Standards Board (GASB) Statements

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, No. 90, *Majority Equity Interests – an Amendment to GASB Statements No. 14 and No. 61*, No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*, No. 93, *Replacement of Interbank Offered Rates*, No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The District has also evaluated GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which clarifies due dates for the implementation of other preceding GASB Statements in connection with the impacts of the COVID-19 pandemic. The District currently intends to follow the implementation schedule outlined in Statement No. 95 and has no plans to early-implement upcoming standards.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

(e) Prepaid Items

Certain payments to external parties reflect costs applicable to future accounting periods and are recognized as prepaid items in both government-wide and fund financial statements. Prepayments are amortized and recognized as expenditures in the period consumed using the consumption method.

(f) Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. The District defines capital assets as assets with an initial unit cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements. Estimated useful lives for depreciable capital assets currently held by the District range from 46 years to 50 years.

(g) Accrued Vacation Leave

The District allows employees to accumulate earned but unused vacation time, which is eligible for payment upon separation from the District. The liability of such time is reported as incurred in the government-wide financial statements. The liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for accrued vacation leave includes the District's share of social security and Medicare contributions payable on behalf of the employees.

(h) Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The District has deferred inflows for a deferred gain on refunding connected to the issuance of its 2015 revenue refunding bonds, which is amortized annually.

(i) Property Tax

Secured taxes are distributed from the County of San Mateo to the District monthly on the basis of the County's apportionment schedules.

(j) County and City Contributions

The District receives annual contributions from both the County of San Mateo and the local city governments within the County. The financial obligations are determined each year based on the budget of the District, which is established by the Board of Directors.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Due From/Due To Other Funds and Transfers

Interfund transactions are treated as transfers under the other financial sources and uses section of the statement of revenues, expenditures and changes in fund balance. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

(l) Investment Earnings

Interest is received quarterly from the County Treasurer on cash balances maintained with the San Mateo County Investment Pool (County Pool). Interest is recorded in the year it is earned and is available to pay current liabilities. Interest earnings are apportioned between the District's funds based on average daily cash balance in accordance with County Treasury policies for participants in the County Pool.

(m) Special Items

Special items are transactions or events that are within the control of District management and that are either unusual in nature or infrequent in occurrence.

(n) Accounting Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 consist of the following:

Cash in County Treasury	\$	30,835,026
Deposits with financial institutions		2,373,389
Total cash and cash equivalents	\$	33,208,415

The District is a participant in the Treasury pool of the County of San Mateo, which is not subject to the fair hierarchy disclosure requirements under GASB Statement No. 72, *Fair Value Measurement and Application*.

The District's cash balances at June 30, 2020 are pooled with other funds in the County Pool. The County Pool includes both voluntary and involuntary participants from external public entities. The District is a voluntary participant in the County Pool. Interest earned is received quarterly. Cash and cash equivalents in the County Pool are reported at fair value. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

3. CASH AND CASH EQUIVALENTS (Continued)

(a) Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. As of June 30, 2020, cash balances in bank were insured up to \$500,000 by the Federal Depository Insurance Corporation. At June 30, 2020, the bank balance of \$1,873,389 was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the name of the District.

(b) Investments

Cash in County Treasury

The District maintains its available cash in the San Mateo County Treasury. The County pools these funds with those of other agencies and invests the cash. These pooled funds are adjusted to fair value on a monthly basis and the adjustment to all participants in the pool is determined based on their respective cash balances at the valuation date. All the funds in the pool share any investments gains and losses proportionately.

Funds with the County Treasurer are invested pursuant to an investment policy established by the Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. The policy addresses the soundness of financial institutions in which the County deposits funds, the types of investment instruments and the percentage of the portfolio which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California.

Authorized investments in which the County Treasurer can invest are outlined in the County's current effective investment policy, dated January 7, 2020, which can be found on the County Treasurer and Tax Collector's public website at (<https://treasurer.smcgov.org/investment-information>).

As of June 30, 2020, the District's share of the County's cash and investment pool totaled \$30,836,106.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

4. CAPITAL ASSETS

Capital assets activity for the District for the six-month period ended June 30, 2020 is as follows:

	Balance				Balance
	January 1, 2020	Additions	Transfers	Deletions	June 30, 2020
Non-Depreciable Capital Assets:					
Land	\$ 702,962	\$ -	\$ -	\$ -	\$ 702,962
Easements	92,419	-	-	-	92,419
Construction in Progress	696,095	127,310	-	-	823,405
Total non-depreciable capital assets	1,491,476	127,310	-	-	1,618,786
Depreciable capital assets:					
Infrastructure	17,031,905	-	-	-	17,031,905
Less accumulated depreciation for:					
Infrastructure	(5,550,367)	(170,360)	-	-	(5,720,727)
Depreciable capital assets, net	11,481,538	(170,360)	-	-	11,311,178
Total Capital Assets, net	\$ 12,973,014	\$ (43,050)	\$ -	\$ -	\$ 12,929,964

Construction in process for the six-month period ended June 30, 2020 represents work performed on the Colma Creek Flood Control Zone channel improvement and repair projects and a flood warning system project.

5. LONG TERM LIABILITIES**(a) 2015 Lease Revenue Refunding Bonds**

In August 2015, the San Mateo County Flood Control District (the "Flood Control District") issued \$18.7 million in Revenue Refunding Bonds (the "2015 Revenue Refunding Bonds") with a bond premium of \$2.8 million to refund the County Joint Powers Financing Authority's (JPFA) outstanding balance of its 1997 Certificates of Participation (COPs) and 2004 COPs and to pay its costs of issuance. The Flood Control District pledged its revenues to repay the 2015 Revenue Refunding Bonds through August 2035.

When the District was formed effective January 1, 2020, it assumed the obligations associated with this debt formerly connected to the original County Flood Control District.

The District's long-term liabilities as of June 30, 2020 are as follows:

<u>Type of Indebtedness (purpose)</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2020</u>
2015 Revenue Refunding Bonds:					
Serial current interest bonds	8/1/20 - 8/1/35	5.00%	\$710,000 - \$1,410,000	\$ 18,725,000	\$ 16,135,000

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

5. LONG TERM LIABILITIES (Continued)

Annual debt service requirements for the governmental activities of the District as of June 30, 2020 are summarized as follows:

Fiscal Year Ended June 30,	Revenue Refunding Bonds	
	Principal	Interest
2021	\$ 710,000	\$ 789,000
2022	750,000	752,500
2023	785,000	714,125
2024	825,000	673,875
2025	865,000	631,625
2026-2030	5,020,000	2,447,250
2031-2035	6,405,000	1,025,875
2036	775,000	19,375
Total	<u>\$ 16,135,000</u>	<u>\$ 7,053,625</u>

(b) Accrued Vacation Leave

The District's policy allows employees to accumulate earned but unused vacation time, which is eligible for payment upon separation from the District's service. The liability of such time is reported as incurred in the government-wide financial statements. The liability for those amounts is recorded in the governmental funds only if the liability has matured as result of employee resignations or retirements. The liability for accrued vacation leave includes the District's share of social security and Medicare contributions payable on behalf of the employees. Vacation time accrues at a rate of 160.0 hours for the Executive Director and at a rate of 96.0 hours annually for other District employees, with a cap of 180 hours. Additionally, the Executive Director earns management leave accrual at a rate of 40.0 hours annually. A current and long-term portion of accrued vacation leave is expected to be estimated in future years. However, since this will be determined based on historical trend data, the District does not yet have enough information accumulated in its inception year to make this determination and is electing to report the full balance as current liabilities.

The District's long-term liabilities as of June 30, 2020 are as follows:

	Balance 1/1/2020	Additions	Retirements	Balance 6/30/2020	Amounts Due Within 1 Year
Revenue refunding bonds	\$ 16,135,000	\$ -	\$ -	\$ 16,135,000	\$ 710,000
Add: unamortized premium	2,191,479	-	(70,315)	2,121,164	140,630
Revenue refunding bonds, net	18,326,479	-	(70,315)	18,256,164	850,630
Accrued vacation leave	-	7,294	(516)	6,778	6,778
Total Governmental Activities	<u>\$ 18,326,479</u>	<u>\$ 7,294</u>	<u>\$ (70,831)</u>	<u>\$ 18,262,942</u>	<u>\$ 857,408</u>

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

6. LEASE

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rental paid for this lease was \$48,735 for the six-month period ended June 30, 2020, and the future minimum lease payments are as follows:

<u>Fiscal Year Ended June 30,</u>	
2021	\$ 98,932
2022	101,906
2023	<u>69,472</u>
Total	<u>\$ 270,310</u>

7. REVENUES**(a) County and City Contributions**

Pursuant to the resolution approved by the County Board on January 29, 2019, the County and local city agencies within the County are expected to make annual contributions to the District until such time that the District is able to secure adequate independent funding sources of its own. For the six-month period ended June 30, 2020, the County made contributions of \$750,000 as prescribed by Board resolution and an additional voluntary amount of \$500,000 to help fund start-up costs. The city agencies contributed a combined total of \$745,000 for the six-month period ended June 30, 2020.

(b) Property Taxes

The District receives monthly property tax payments from the County of San Mateo based on the County's apportionment factor calculations. The District's tax revenues amounted to \$3,499,521 for the six-month period ended June 30, 2020.

8. FUND BALANCE

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for the District's governmental funds are made up of the following:

(a) Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid amounts.

(b) Restricted Fund Balance – includes amounts that are restricted for specific purposes due to outside sources or enabling legislation.

(c) Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that are not restricted. Intent is expressed by (a) the Board of Directors or (b) a body (for example: a budget or finance committee) or official to which the Council has delegated the authority to assign amounts to be used for specific purposes.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020**

8. FUND BALANCE (Continued)

Assigned fund balances represent all District activities outside of debt service operations, which are encompassed under the restricted fund category. These costs are intended for specific purposes, but are not restricted.

9. TRANSFERS

For the six-month period ended June 30, 2020, the District Colma Creek Flood Control fund made a transfer of \$1,113,375 to the Debt Service fund for the purpose of financing upcoming debt service obligations subsequent to the balance sheet date.

10. NET POSITION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted net position to have been depleted before unrestricted net position is applied.

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. By agreement, the District is an additional insured on the County's excess liability insurance coverage. The existing insurance policy at the balance sheet date is valid through May 22, 2021. County Counsel provides legal representation for any claims or litigation of the District at no charge. The District engages with a separate insurance provider for worker's compensation insurance to employees with a limit of \$1,000,000 per accident. The existing insurance policy for workers' compensation at the balance sheet date is valid through April 1, 2021. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020**

12. SPECIAL ITEM

The District was formed on January 1, 2020, at which point it assumed the assets and obligations associated with the original County Flood Control District. This included cash, capital assets and long-term debt connected to the District's 2015 revenue refunding bonds. The District's beginning fund balance and beginning net position on the governmental fund balance sheet and statement of net position respectively as of January 1, 2020 is \$0. The assumption of the beginning balances for these assets and liabilities is reflected on the financial statements as a special item. The various beginning balances for the assumed assets, liabilities and deferred inflows of resources comprising the special item totals are summarized below for the fund financial statements and government-wide financial statements respectively.

Value of special item on statement of revenues, expenditures and changes in fund balance:

Cash	\$29,148,914
Total special item	<u>\$29,148,914</u>

Value of special item on statement of activities:

Cash	\$29,148,914
Net book value of capital assets	12,973,014
Outstanding principal for 2015 revenue refunding bonds	(16,135,000)
Outstanding premium on 2015 revenue refunding bonds	(2,191,479)
County deposit for payment of County interest obligations through December 31, 2019	(336,146)
Deferred gain on refunding	<u>(40,736)</u>
Total special item	<u>\$23,418,567</u>

13. CONTINGENCY – IMPACTS OF COVID-19

In March of 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally, leading to economic downturn. It has also disrupted the normal operations of many governments. However, it is not possible at this point to predict the duration or magnitude of the adverse results of the outbreak and its effects on the District's revenues or results of operations at this time.

14. SUBSEQUENT EVENT – TRANSITION TO INDEPENDENT FINANCE OPERATIONS

The District operated under the OFAS accounting system used by the County of San Mateo for maintaining its general ledger through June 30, 2020. The District transitioned to an independent system, AccuFund, effective July 1, 2020 and underwent a process to separate its operations from the County after the balance sheet date. This included a transfer of all cash balances held within the County pool to the District's independent fiscal agent bank account with Wells Fargo on September 15, 2020. The District may negotiate further accounting services with the County in the future but at this point it plans to handle accounting and financial reporting functions independently.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
County contributions	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ -
City contributions	745,000	745,000	745,000	-
Intergovernmental revenues	393,747	393,747	-	(393,747)
Interest and investment income	-	-	2,048	2,048
Other	-	-	1,080	1,080
Total Revenues	<u>2,388,747</u>	<u>2,388,747</u>	<u>1,998,128</u>	<u>(390,619)</u>
Expenditures				
Salaries and benefits	\$ 264,528	\$ 264,528	\$ 127,594	\$ 136,934
Services and supplies	1,524,219	1,524,219	505,131	1,019,088
Capital outlay	-	-	18,753	(18,753)
Total Expenditures	<u>1,788,747</u>	<u>1,788,747</u>	<u>651,478</u>	<u>1,137,269</u>
Net Change in Fund Balance	<u>\$ 600,000</u>	<u>\$ 600,000</u>	1,346,650	<u>\$ 746,650</u>
Budgetary Fund Balance - Beginning			-	
Budgetary Fund Balance - Ending			<u>\$ 1,346,650</u>	

See notes to required supplementary information.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Colma Creek Flood Control Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,185,919	\$ 2,185,919	\$ 3,016,383	\$ 830,464
Interest and investment income	255,491	255,491	204,186	(51,305)
Other	-	-	1,688	1,688
Total Revenues	<u>2,441,410</u>	<u>2,441,410</u>	<u>3,222,257</u>	<u>780,847</u>
Expenditures				
Services and supplies	\$ 1,974,164	\$ 1,974,164	\$ 176,703	\$ 1,797,461
Capital outlay	300,000	300,000	108,557	191,443
Total Expenditures	<u>2,274,164</u>	<u>2,274,164</u>	<u>285,260</u>	<u>1,988,904</u>
Special Item	<u>24,824,512</u>	<u>24,824,512</u>	<u>24,207,397</u>	<u>(617,115)</u>
Net Change in Fund Balance	<u>\$ 24,991,758</u>	<u>\$ 24,991,758</u>	27,144,394	<u>\$ 2,152,636</u>
Budgetary Fund Balance - Beginning			-	
Budgetary Fund Balance - Ending			<u>27,144,394</u>	
Other financing sources and uses				
Operating transfers out			<u>(1,113,375)</u>	
GAAP Fund Balance			<u>\$ 26,031,019</u>	

See notes to required supplementary information.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
San Bruno Creek Flood Control Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 173,152	\$ 173,152	\$ 237,201	\$ 64,049
Interest and investment income	33,375	33,375	26,899	(6,476)
Total Revenues	<u>206,527</u>	<u>206,527</u>	<u>264,100</u>	<u>57,573</u>
Expenditures				
Services and supplies	\$ 231,200	\$ 231,200	\$ 20,745	\$ 210,455
Total Expenditures	<u>231,200</u>	<u>231,200</u>	<u>20,745</u>	<u>210,455</u>
Special Item	<u>3,267,815</u>	<u>3,267,815</u>	<u>3,284,507</u>	<u>16,692</u>
Net Change in Fund Balance	<u>\$ 3,243,142</u>	<u>\$ 3,243,142</u>	3,527,862	<u>\$ 268,028</u>
Budgetary Fund Balance - Beginning			-	
Budgetary Fund Balance - Ending			<u>\$ 3,527,862</u>	

See notes to required supplementary information.

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**SAN MATEO
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Required Supplementary Information
For the Six-Month Period Ended June 30, 2020**

1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES

The District adopts an annual operating budget. Annual budgets are prepared using the modified accrual basis of accounting, which is consistent with the basis used to present the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

The annual budget is adopted by the Board of Directors. The District has the flexibility to expend funds based on operational needs as long as expenditures do not exceed the approved budget.

The District uses an encumbrance system to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Encumbrances outstanding at year-end are reported in assigned fund balance as they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District did not have outstanding encumbrances at June 30, 2020.

2. EXPENDITURES LESS THAN BUDGET

The District had many areas of operations for the six-month period ended June 30, 2020 where actual expenditures fell short of budgeted amounts. This is due primarily to the fact that the District is a new entity effective as of January 1, 2020 and some areas of operations did not increase at the pace originally anticipated when the budget was prepared prior to the COVID-19 pandemic.

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SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	San Mateo County Flood Control Zone Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 693,744	\$ 433,739	\$ 17,041	\$ 1,144,524
Interest receivable	3,465	1,563	90	5,118
Taxes receivable	19,541	1,306	-	20,847
Other assets	308,000	-	-	308,000
Total Assets	<u>\$ 1,024,750</u>	<u>\$ 436,608</u>	<u>\$ 17,131</u>	<u>\$ 1,478,489</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,201	\$ 1,201
Fund Balances				
Nonspendable	308,000	-	-	308,000
Assigned	716,750	436,608	15,930	1,169,288
Total Fund Balances	<u>1,024,750</u>	<u>436,608</u>	<u>15,930</u>	<u>1,477,288</u>
Total Liabilities and Fund Balances	<u>\$ 1,024,750</u>	<u>\$ 436,608</u>	<u>\$ 17,131</u>	<u>\$ 1,478,489</u>

SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Six-Month Period Ended June 30, 2020

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	San Mateo County Flood Control Fund	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 231,153	\$ 14,784	\$ -	\$ 245,937
Interest and investment income	6,825	3,314	199	10,338
Total Revenues	<u>237,978</u>	<u>18,098</u>	<u>199</u>	<u>256,275</u>
Expenditures				
Services and supplies	-	-	10,408	10,408
Special Item				
Fund balance transfer from County Flood Control District as of January 1, 2020	786,772	418,510	26,139	1,231,421
Net Change in Fund Balances	1,024,750	436,608	15,930	1,477,288
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ 1,024,750</u>	<u>\$ 436,608</u>	<u>\$ 15,930</u>	<u>\$ 1,477,288</u>

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Schedule of Cities Support
For the Six-Month Period Ended June 30, 2020

City/ Agency	Six-Month Period Ended June 30, 2020 Contributions
Atherton	\$ 25,000
Belmont	40,000
Brisbane	25,000
Burlingame	40,000
Colma	25,000
Daly City	55,000
East Palo Alto	40,000
Foster City	40,000
Half Moon Bay	25,000
Hillsborough	25,000
Menlo Park	40,000
Millbrae	40,000
Pacifica	40,000
Portola Valley	25,000
Redwood City	55,000
San Bruno	40,000
San Carlos	40,000
San Mateo	55,000
South San Francisco	55,000
Woodside	15,000
Total	<u>\$ 745,000</u>

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
San Mateo County Flood and Sea Level Rise Resiliency District
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Mateo County Flood and Sea Level Rise Resiliency District (District), as of and for the six-month period ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November XX, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Walnut Creek, California
November XX, 2020