

## Board of Directors Finance Committee Meeting

This meeting will be held remotely, with no physical meeting location, pursuant to Government Code Section 54953(e). Members of the public may join the meeting by clicking on the following link:

To join the meeting by video, click on:

<https://oneshoreline-org.zoom.us/j/95961774304?pwd=K3JRelZlVXo5VlpuUjNNMFlwb1BuZz09>

To join the meeting by phone, call: 669-900-6833, Meeting ID: 959 6177 4304#, Passcode: 657248#

## AGENDA November 18, 2021 10:00 AM

### 1. Roll Call

**2. Public Comment** Persons wishing to address the Committee on District-related matters not on this Agenda may speak for up to two minutes; comments on Agenda items shall be heard during that item for up to two minutes.

### 3. Action to Set the Agenda

### 4. Regular Business

A. Review and discuss the District's Audited Financial Statements for July 1, 2020 – June 30, 2021

B. Discuss the District's investment portfolio and performance between July 1, 2021 – September 30, 2021 \*

### 5. Adjournment

\* There is no written staff report for this item

#### Meeting information, and public access and communications

- During the meeting, public comment can be submitted at the appropriate time via Zoom Chat or by raising your hand, speaking if joining by phone, or email to [board@OneShoreline.org](mailto:board@OneShoreline.org) prior to 12:00 pm on the meeting day; please indicate the agenda item to which your comment applies and it will be read or summarized at the meeting by the Board Clerk.
- 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 9:00 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 OneShoreline.org. To receive these documents electronically, please email [board@OneShoreline.org](mailto:board@OneShoreline.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 Year Ended June 30, 2021

San Mateo, California



**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
**For the Year Ended June 30, 2021**

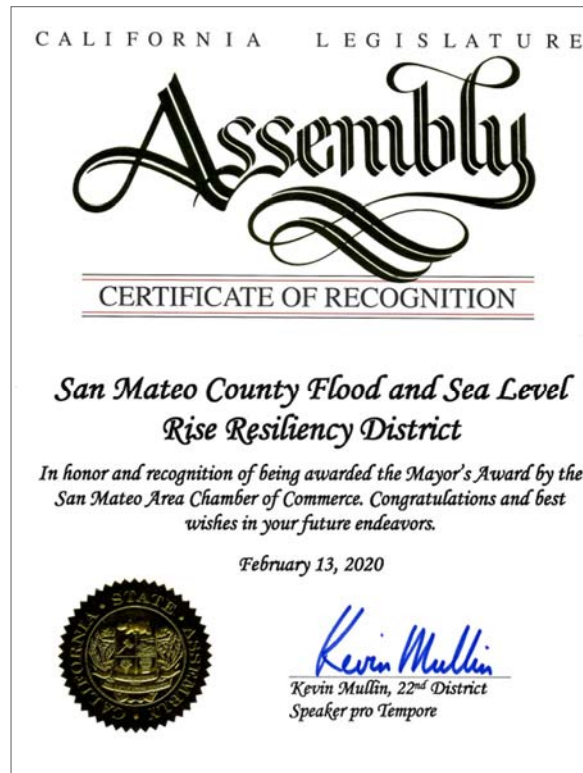
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# SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

## Awards and Achievements



# SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

FY2020-2021

## Board of Directors



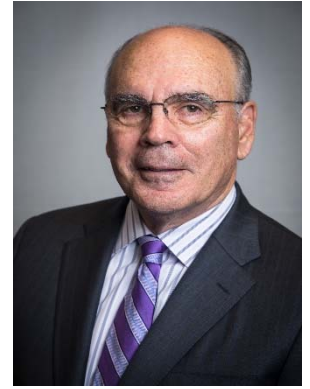
Dave Pine  
Chair  
District 1



Debbie Ruddock  
Vice Chair  
Coastside



Diane Papan  
Central San Mateo  
County Cities



Don Horsley  
District 3



Donna Colson  
Northern San Mateo  
County Cities



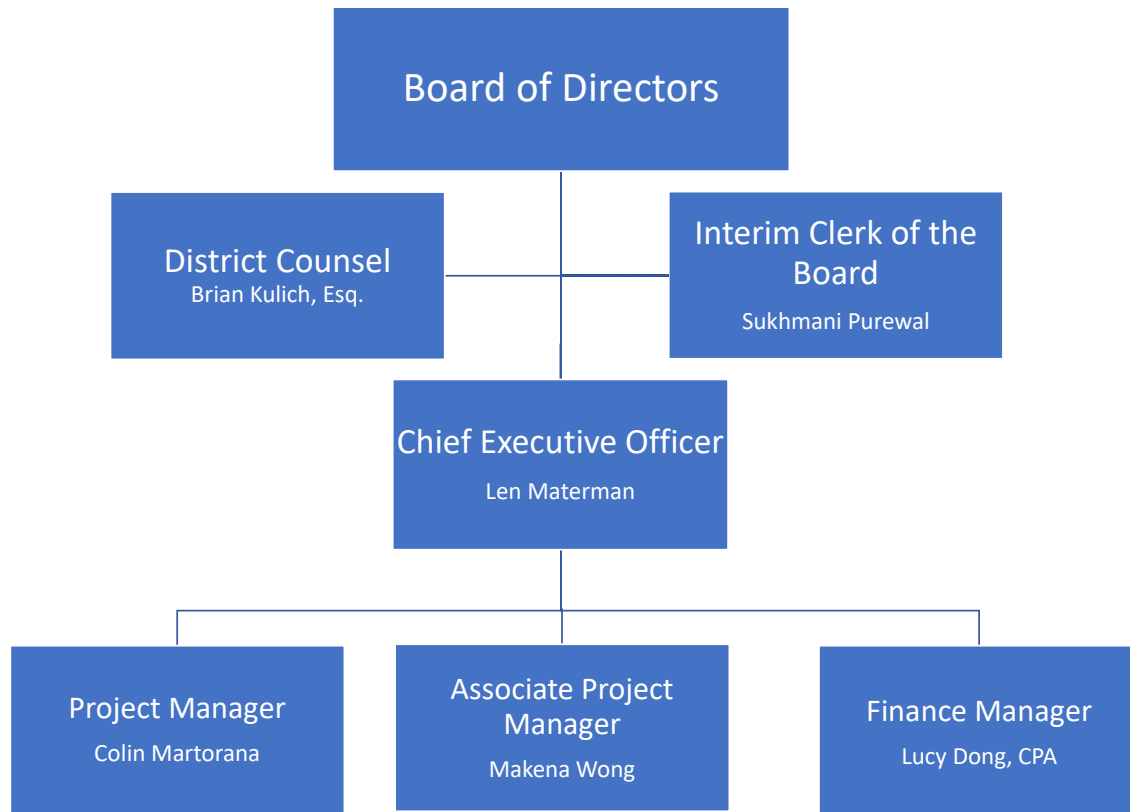
Lisa Gauthier  
Southern San Mateo  
County Cities



Maryann Moise Derwin  
San Mateo County Cities  
At-Large

# SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

## Organization Chart





## 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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2021, 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.

***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 18, 2021, 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 18, 2021

**San Mateo County Flood and Sea Level Rise Resiliency District**  
**Management's Discussion and Analysis**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2021

This Management's Discussion and Analysis provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2021. 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 fiscal year ended June 30, 2021 by \$47.5 million (net position):

**District's Net Position**  
**June 30, 2021**

Assets:	
Current and other assets	\$ 37,990,220
Capital assets	28,218,730
Total assets	66,208,950
Liabilities:	
Long-term liabilities	17,440,087
Other liabilities	1,219,522
Total liabilities	18,659,609
Deferred inflows of resources	36,815
Net position:	
Net investment in capital assets	10,333,658
Restricted	69
Unrestricted	37,178,799
Total net position	\$ 47,512,526

The District's net position at June 30, 2021 is subdivided into the following components:

- \$10.3 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, 2021 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.
- \$12 thousand 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*).
- \$37.2 million is available to fund the 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 Fiscal Year Ended June 30, 2021

The District held \$66.2 million in total assets at June 30, 2021 which were subdivided into the following components:

- \$38.0 million in current and other assets, which are comprised of \$37.2 million in cash and investments, \$0.8 million in receivables and \$17 thousand in prepaid expenses.
- \$28.2 million in capital assets, net of accumulated depreciation.

The District held \$18.7 million in total liabilities at June 30, 2021 which were subdivided into the following components:

- \$17.4 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, 2021.
- \$0.9 million in accounts payable.
- \$0.3 million in accrued interest payable.
- \$2 thousand in unearned revenue.

**Fund financial position**

The District's governmental funds reported combined fund balances of \$37.1 million at June 30, 2021. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 99.97% of the District's fund balance is available for spending at the District's discretion (assigned fund balance).

**District's Fund Balance  
June 30, 2021**

Nonspendable	\$ 16,856
Restricted	69
Assigned	<u>37,075,128</u>
Total fund balance	<u><u>\$ 37,092,053</u></u>

**Capital assets and debt administration**

The District's capital assets balance was reported at \$28.2 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District's capital assets as of June 30, 2021 are comprised of the followings:

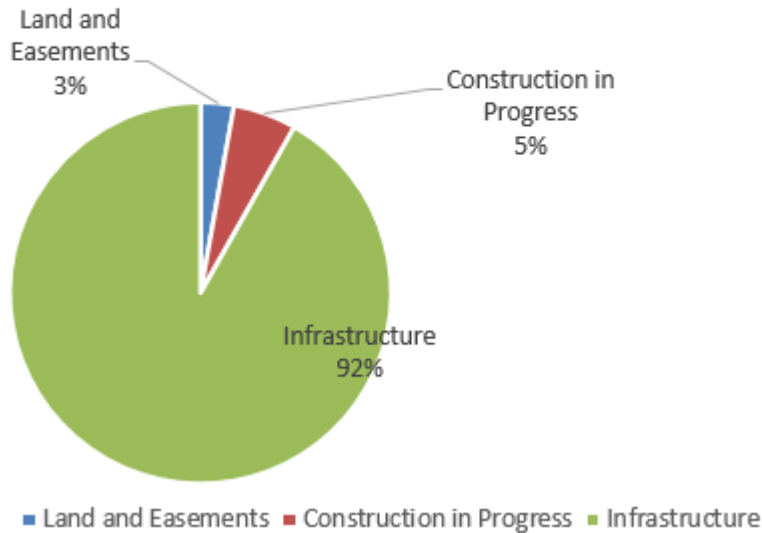
**Capital Assets  
Net of Accumulated Depreciation**

Land	\$ 702,962
Easements	92,419
Construction in progress	1,517,163
Infrastructure, net	<u>25,906,186</u>
Total capital assets, net	<u><u>\$ 28,218,730</u></u>

**San Mateo County Flood and Sea Level Rise Resiliency District  
Management's Discussion and Analysis  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021**

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

**Capital Assets  
(June 30, 2021)**



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

The District's total long-term obligations were reported at \$17.4 million as of June 30, 2021, 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	\$ 15,425,000
2015 Revenue refunding bonds - premium	1,980,534
Accrued vacation leave	34,553
Total long term obligations	<u>\$ 17,440,087</u>

*Additional information on the District's long-term obligations can be found in Note 5 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 government-wide financial statements are prepared using the accrual basis of accounting. The governmental fund financial statements are prepared using the modified accrual basis of accounting. Further information on the basis of accounting is discussed in Note 2(b).

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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

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

**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 19-20 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 eight 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 21 - 24 of this report.*

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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

**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 starting on page 25 of this report.*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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:

<b>District's Net Position</b>					
<b>June 30, 2021</b>					
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Difference (\$)</u>	<u>Difference (%)</u>	
<b>Assets:</b>					
Current and other assets	\$ 37,990,220	\$ 33,801,526	\$ 4,188,694	12.39%	
Capital assets	28,218,730	28,310,114	(91,384)	-0.32%	
Total assets	<u>66,208,950</u>	<u>62,111,640</u>	<u>4,097,310</u>		
<b>Liabilities:</b>					
Long-term liabilities	17,440,087	18,262,942	(822,855)	-4.51%	
Other liabilities	1,219,522	628,750	590,772	93.96%	
Total liabilities	<u>18,659,609</u>	<u>18,891,692</u>	<u>(232,083)</u>		
Deferred inflows of resources	<u>36,815</u>	<u>39,429</u>	<u>(2,614)</u>	-6.63%	
<b>Net position:</b>					
Net investment in capital assets	10,333,658	9,887,211	446,447	4.52%	
Restricted	12,127	1,126,103	(1,113,976)	-98.92%	
Unrestricted	37,166,741	32,167,205	4,999,536	15.54%	
Total net position	<u>\$ 47,512,526</u>	<u>\$ 43,180,519</u>	<u>\$ 4,332,007</u>		

The District's current assets increased by \$4.2 million. This was primarily a result of increase property tax apportionments from the County of San Mateo for the year ended June 30, 2021 in comparison with the six-month period ended June 30, 2020 after the District's initial formation on January 1, 2020. The District's other liabilities rose by \$0.6 million as a result of increased accounts payable connected to capital projects activities. Restricted net position is connected to restricted cash held in the District's debt service fund and dropped due to timing of debt service payments between fiscal years.

**San Mateo County Flood and Sea Level Rise Resiliency District**  
**Management's Discussion and Analysis**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2021

**Assets**

- *Cash and cash equivalents* reported at \$37.2 million at June 30, 2021. \$29.9 million was deposited in the District's US Bank Custodial Account, \$1.8 million was deposited in District's Wells Fargo Bank Account, \$5.5 million was deposited in the District's Local Agency Investment Fund Account.
- *Interest receivable* reported at \$3 thousand at June 30, 2021 represents proportionate interest earned at the end of June 30, 2021 and will be distributed in 15 days after fiscal year end.
- *Taxes receivable* reported at \$85 thousand at June 30, 2021 represents the property tax was earned at the end of June 30, 2021 and will be distributed in 60 days after fiscal year end.
- *Accounts receivable* reported at \$61 thousand at June 30, 2021 represents the District's services delivered or used but not yet paid for by customers at the end of June 30, 2021 and will be collected in 60 days after fiscal year end.
- *Grants receivable* reported to \$648 thousand at June 30, 2021 represents to the District's grant funding earned but not yet paid by the granting agencies at the end of June 30, 2021 and will be granted in 60 days after fiscal year end.
- *Prepaid expenses* reported to \$17 thousand at June 30, 2021 primarily represent the District's prepaid insurance premiums.
- *Capital assets* amount to \$28.2 million, net of accumulated depreciation, and are broken down further in the tables on page 4.

**Liabilities**

- *Accounts Payable* reported at \$896 thousand at June 30, 2021 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 the fiscal year.
- *Unearned Revenue* reported at \$2 thousand at June 30, 2021 represents the sum of all activities which the District has received cash for, but which the District has not yet performed the associated services for customers at the end of the fiscal year.
- *Accrued Interest payable* reported at \$321 thousand at June 30, 2021 represents the amount of interest which the District has been incurred as of June 30, 2021 on 2015 Colma Creek revenue refunding bond but which has not yet been paid out.
- *Long-term obligations* reported at \$17.4 million at June 30, 2021 and are further broken down in the table on pg.5. The District has \$750 thousand in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$16.7 million in debt service principal payments due beyond one year on the same bonds. \$35 thousand is also accrued for the District's accrued vacation leave which is considered to be due within one year.

**Deferred inflows of resources** reported to \$37 thousand at June 30, 2021 represents deferred gain on 2015 Colma Creek revenue refunding bond.

**San Mateo County Flood and Sea Level Rise Resiliency District**  
**Management's Discussion and Analysis**  
 Required Supplementary Information (Unaudited)  
 For the Fiscal Year Ended June 30, 2021

The District's activities and changes in net position for the year ended June 30, 2021 are summarized as follows:

<b>District's Changes in Net Position</b>				
<b>June 30, 2021</b>				
	FY 2021	FY 2020	Difference (\$)	Difference (%)
Program expenses:				
Public protection	\$ 2,309,629	\$ 856,417	\$ 1,453,212	169.69%
Depreciation expense	785,142	392,572	392,570	100.00%
Interest on long-term liabilities	630,965	332,181	298,784	89.95%
Total program expenses	3,725,736	1,581,170	2,144,566	
Program revenues:				
Operating grants and contributions	1,611,698	1,995,000	(383,302)	-19.21%
Capital grants and contributions	648,071	-	648,071	100.00%
Total program revenues	2,259,769	1,995,000	264,769	
General revenues:				
Property tax	5,820,523	3,499,521	2,321,002	66.32%
Interest and investment income	(32,992)	243,471	(276,463)	-113.55%
Other	10,443	2,768	7,675	277.28%
Total general revenues	5,797,974	3,745,760	2,052,214	
Special Item:	-	39,020,929	(39,020,929)	-100.00%
Changes in net position	4,332,007	43,180,519	(38,848,512)	-89.97%
Net position - beginning:	43,180,519	-	43,180,519	
Net position - ending	\$ 47,512,526	\$ 43,180,519	\$ 4,332,007	

### Analysis of Governmental Activities - Revenues and Expenses

The District's net position increased by \$4.3 million for the year ended June 30, 2021. The District's project costs are expected to continue increasing in future years as projects activity expands. However, for the year ended June 30, 2021, the District's costs are still outweighed by its annual revenues for property tax and contributions by \$4.3 million. The District was formed effective January 1, 2020 and only experienced six months of activity for the year ended June 30, 2020. Thus, there is a general increase in both revenues and expenses for the year ended June 30, 2021 due to the District experiencing a full year of activity. In particular, the District's property tax revenues from the County increased by \$2.3 million and the District is incurred \$1.5 million more in costs for public protection activities as a result of more capital projects getting underway. The District is also starting to recognize revenue connected to these capital project activities in the amount of \$0.6 million for the year ended June 30, 2021. The District had a \$39.0 million increase in net position for the year ended June 30, 2020 as a result of a special item recorded to represent the transfer of assets and liabilities to the District in the year it was first formed. This represented a one-time event to establish the District's beginning net position and there is no special item reflected on the financial statements for the year ended June 30, 2021.

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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

**GOVERNMENTAL FUND FINANCIAL ANALYSIS**

The following is a summary of significant changes in activities under the District's major governmental funds between the 6-month period ended June 30, 2020 and the year ended June 30, 2021:

- General fund revenues decreased by \$0.4 million primarily due to the fact that an additional one-time \$0.5 million contribution for start-up funding was made by the County of San Mateo to the District for the period ended June 30, 2020. Expenditures increased by \$0.4 million primarily as a result of the District experiencing a full year of salaries and benefits for the period ended June 30, 2021.
- Revenues under the Colma Creek Flood Control fund and the San Bruno Creek Flood Control fund increased by \$1.7 million and \$0.1 million respectively due to the fact that the District experienced a full year of property tax revenues for the year ended June 30, 2021 in comparison to only six months for the prior period. Expenditures under the two funds increased by \$0.5 million and \$0.1 million respectively also due to a full fiscal year of services and supplies costs in comparison to six months of activity for the prior period.
- The District's debt service fund incurred \$1.1 million more in expenditures as a result of timing of debt service payments with a full fiscal year of activity being incurred for the period ended June 30, 2021.
- The District created the Bayfront Canal Atherton Capital Project fund for the financial reporting period ended June 30, 2021, to report increasing capital project activities. The fund reported total revenues and expenditures of \$0.6 million for project costs incurred through the balance sheet date. The District had not yet started accumulating capital outlay for these projects until after the period ended June 30, 2020.

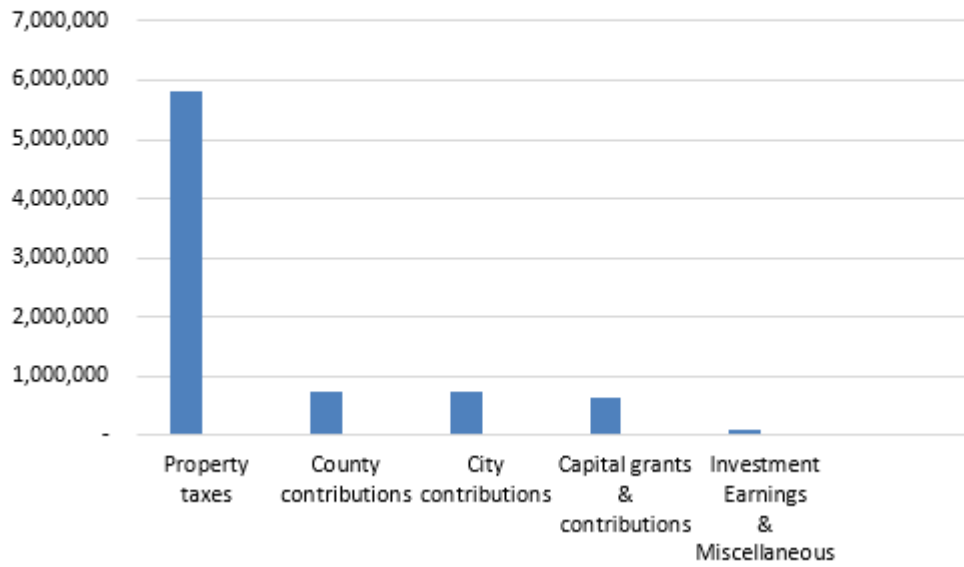
**BUDGETARY ANALYSIS**

The General fund, Colma Creek Flood Control fund and San Bruno Creek Flood Control fund each incurred expenditures that were lower than budgeted estimates in the amounts of \$0.5 million, \$6.7 million and \$0.6 million respectively. This was mainly due to an anticipated higher volume of expenditures for services and supplies connected to project activities for the year ended June 30, 2021. The District is steadily expanding its operations and anticipates annual increases in expenditures, but costs for the year ended June 30, 2021 did not rise to the level expected when preparing budgeted forecasts.

**San Mateo County Flood and Sea Level Rise Resiliency District  
Management's Discussion and Analysis**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

**Governmental Activities – Revenues**

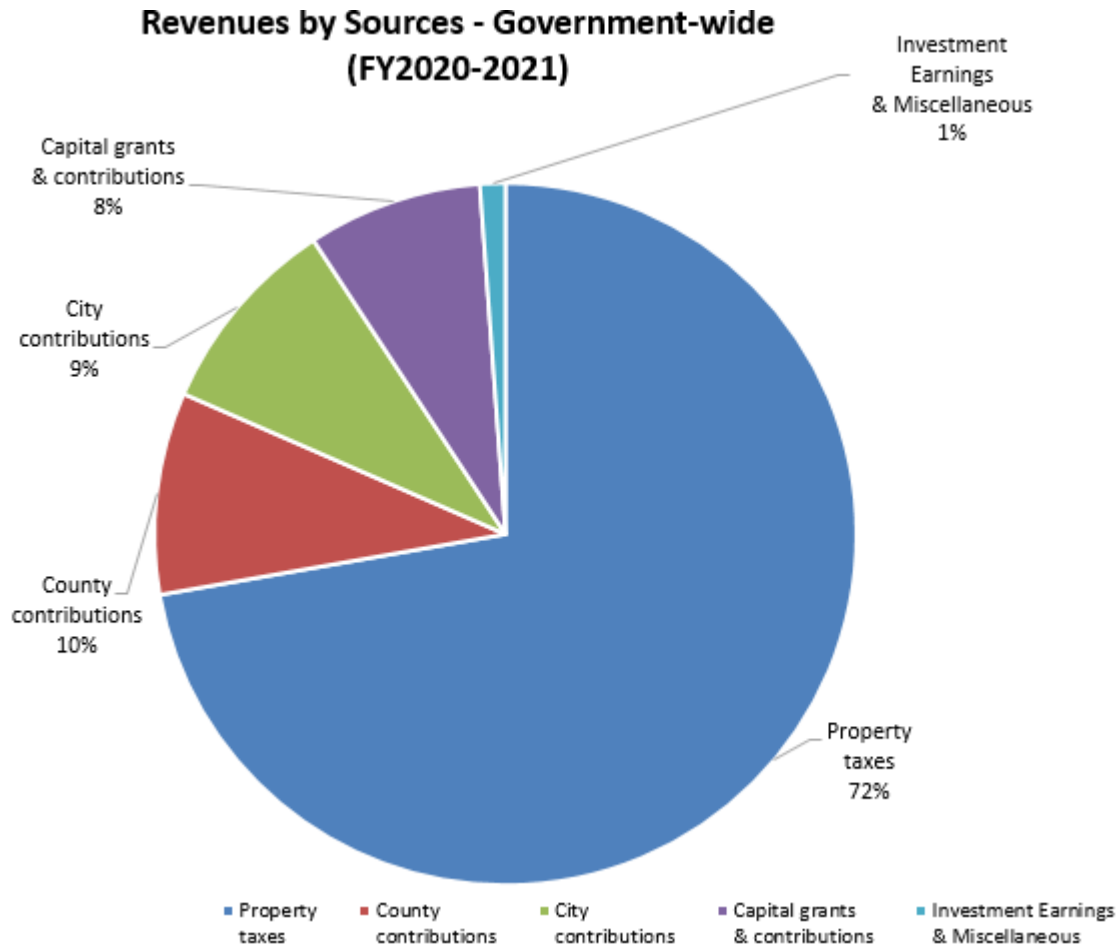
**Revenues by Sources - Government-wide  
(FY2020-2021)**



**Program Revenues** accounted for 18.6% of the District's overall governmental activities revenues. Program revenues are reported at \$2.1 million at June 30, 2021. \$745 thousand were contributed by 20 local cities and \$750 thousand were contributed by San Mateo County as second year start-up funding support for the District. The remaining \$0.6 million were revenues for capital grants from local governments for the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Projects.

**San Mateo County Flood and Sea Level Rise Resiliency District  
Management's Discussion and Analysis  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021**

The District's revenues for the fiscal year ended June 30, 2021 are comprised of and distributed as follows:



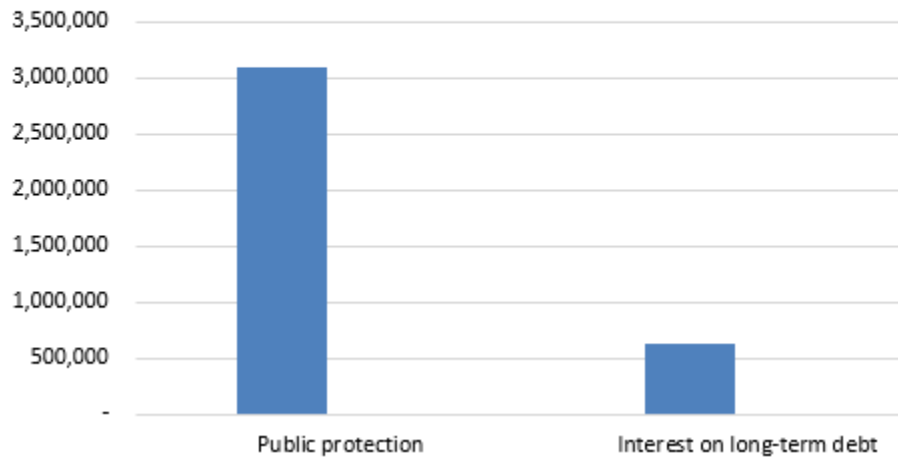
**General Revenues** reported to \$5.8 million and accounted for 73% of the District's overall governmental activities revenues. General Revenues primarily consisted:

- *Property Tax Revenues* reported \$5.8 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 and Miscellaneous* reported at \$94 thousand and accounted for 1% 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 Fiscal Year Ended June 30, 2021

**Governmental Activities - Expenses**

**Governmental Activities**  
**Expense by Function/Program**  
**(FY2020-2021)**

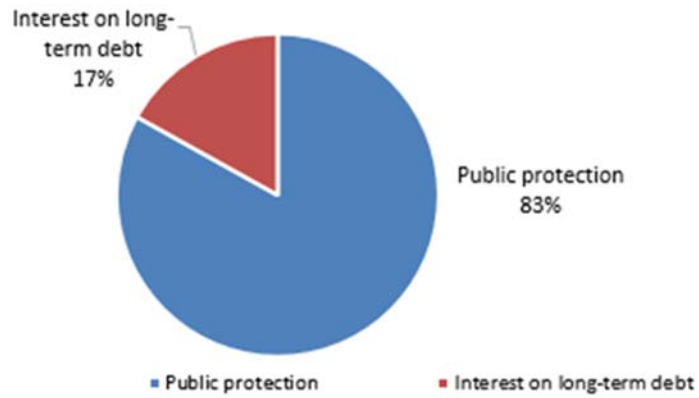


- **Expenses for *Public Protection*** accounted for 62% of the District's overall governmental activities expenses. Public protection expenses were reported at \$2.3 million at June 30, 2021, \$1.6 million of this was the costs of Services and Supplies, \$0.6 million was the costs of Salaries and Benefits, \$80 thousand was capital project fund soft costs reflected as capital outlay and \$28 thousand was changes in accrued compensation liability.
- **Expenses for *Interest on long-term debt*** is the current portion of the accrued interest of 2015 Colma Creek Revenue Refunding bond combined with amortization of bond premiums and deferred inflows of resources associated with the District's long-term debt, and was reported at \$0.6 million, accounting for 17% of the District's overall governmental activities expenses.
- **Expenses for *Depreciation*** on various District infrastructure capital assets amounted to \$785 thousand, or 21% of total governmental activities expenses.

**San Mateo County Flood and Sea Level Rise Resiliency District**  
**Management's Discussion and Analysis**  
Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

The District's expenses for the fiscal year ended June 30, 2021 are comprised of and distributed as follows:

**Governmental Activities**  
**Expense by Function/Program**  
**(FY2020-2021)**



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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

The map below highlights the locations of projects around San Mateo County where the District is either the lead agency, a partner agency or a potential partner. The following two pages describe three of these projects in greater detail -- more information can be found at [OneShoreline.org/projects](http://OneShoreline.org/projects).



### Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project

Just east of Highway 101 and north of Marsh Road, the Atherton Channel converges with the Bayfront Canal near the border between Redwood City and Menlo Park, and empties into San Francisco Bay. For the past several decades, high tides have kept flows in the Canal and Channel from draining to the Bay, and minor rainfall events have resulted in the flooding of nearby mobile home parks and businesses.

Shortly after it was established in January 2020, OneShoreline assumed the role of lead agency on the *Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project*. The Project is installing concrete box culverts under Marsh Road and adjacent lands to divert stormwater during high tide conditions from the Bayfront Canal into ponds managed by the U.S. Fish & Wildlife Service. The connection to the managed ponds essentially increases the capacity of the Bayfront Canal and Atherton Channel, mitigating the impacts of flooding to the communities under threat.



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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

Between early 2020 and June of 2021, OneShoreline certified the project's CEQA document, secured land rights and federal and state environmental permits, developed an agreement to fund construction and maintenance with San Mateo County, cities of Redwood City and Menlo Park, and the Town of Atherton, and awarded the construction contract. Construction will be completed in early 2022.

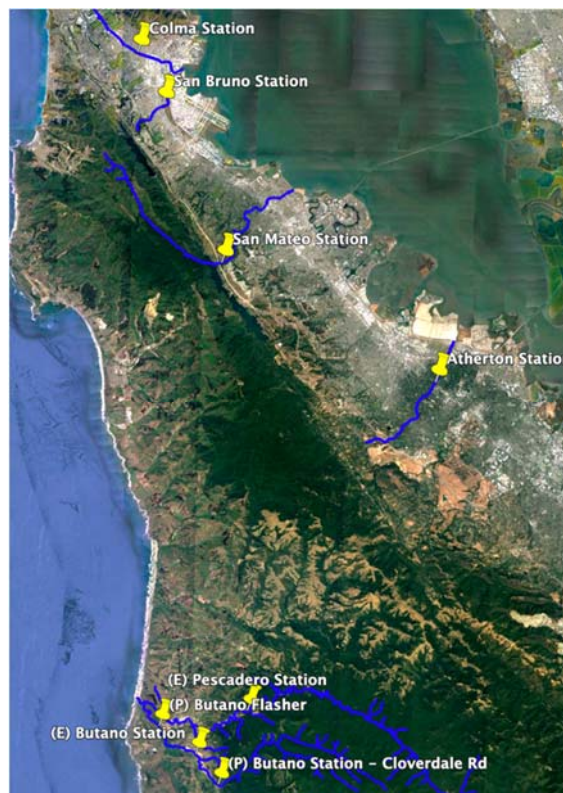


### Countywide Flood Early Warning System

The District is managing a Flood Emergency Response project funded by the State's Department of Water Resources to create a coordinated county-wide flood emergency preparedness and response program, upgrade and expand the region's flood early warning system to inform emergency personnel, public works staff, and the general public during an event, and create three site-specific Flood Emergency Action Plans (EAPs) to define and coordinate activities and responsibilities before, during, and after flood events, and lead a public outreach regarding these.

Between mid-2020 and mid-2021, the District upgraded and expanded the flood early warning system, including new, permanent stream and precipitation monitoring stations, new data loggers, and new communication capabilities -- all to improve lead-time notification to residents and public agency decision-makers.

Additionally, the District developed the first iteration of a Countywide Flood Early Warning System website that includes dashboards for a quick overview of each station's key data. Although this website is still in development, features of it may be previewed on our website, at [OneShoreline.org/FloodWarning](http://OneShoreline.org/FloodWarning).



### Burlingame-Millbrae-SFO Shoreline

Within the cities of Millbrae and Burlingame along San Francisco Bay, regionally-significant electrical distribution and water treatment facilities and transportation and rail corridors, major corporate sites, and many local businesses and homes are vulnerable to flooding and sea level rise. In late 2019 and early 2020, these cities completed separate efforts to evaluate their vulnerabilities and potential adaptation strategies to reduce those vulnerabilities. Meanwhile, immediately to the north, SFO is planning and designing a project to protect the entire perimeter of the airport from sea level rise.

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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

Meeting the transformative challenge of sea level rise in San Mateo County requires a holistic, aligned approach across jurisdictions. Thus, soon after it was established in 2020, OneShoreline brought together these entities to advance their independent efforts in a coordinated and connected way. The objectives of this project are to not only remove hundreds of properties and critical infrastructure from the FEMA floodplain, but advance long-term resilience to sea level rise and extreme storms, as well as provide environmental, recreation, and community connectivity enhancements where possible. During Fiscal Year 2020-21, the District worked to establish the partnership, the support of other key agencies, and secure funds to enable the project to begin in January 2022.



### Agency Priorities for the Fiscal Year 2021-2022

- **Complete construction of the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project**

Construction of the approximately \$9.5 million project began in May 2021 and is scheduled to be completed by January 2022. As of October 2021, construction is on schedule and within the allocated budget.

- **Advance new multi-jurisdictional projects that connect and align substantial protection for neighboring jurisdictions**

The project along the Bay shoreline of Burlingame and Millbrae and connecting to SFO is funded largely through a direct appropriation to OneShoreline in the State Budget and it is likely to receive a small federal grant. With these and local funds, in early 2022 OneShoreline intends to hire one or more consultants to fill gaps in data, complete a CEQA document, and develop a preliminary engineering design of this project. With this design, OneShoreline, and with new language in the zoning ordinance of Burlingame and General Planning documents of Millbrae, OneShoreline and the cities will then work with developers of properties along the shoreline to incorporate portions of the project into new private developments.

The area along the Bay known as Redwood Shores includes portions of Redwood City, the cities of San Carlos and Belmont, a County-run regional airport, regional water treatment, and recycling facilities, about two thousand households, and major corporate assets. In April 2020, FEMA wrote to these cities that the levees surrounding Redwood Shores are inadequate to keep the area out of the FEMA flood zone. The cities and County asked OneShoreline to lead a project to remove the multi-jurisdictional area from the current and future FEMA flood zones and build protection against sea level rise. In early 2021, OneShoreline and Redwood City applied for FEMA funds, to be matched locally, to advance this effort and are awaiting FEMA's response.

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

Required Supplementary Information (Unaudited)  
For the Fiscal Year Ended June 30, 2021

Along the Pacific Coast of San Mateo County, rising seas threaten Pillar Point Harbor and breakwaters built by the federal government 60 years ago. Recent studies point to those breakwaters as the source of significant erosion in the region that threatens State Highway 1 at Surfers Beach, Half Moon Bay State Beach, and within County jurisdiction, the Princeton shoreline, and other buildings, roads, and bridges. Each of these jurisdictions — the federal government, state government, County of San Mateo, and Harbor District — have studied their respective vulnerability to sea level rise and further erosion, but there has not been a comprehensive study focused on identifying a long-term solution. OneShoreline will soon begin an investigation into the inter-related vulnerabilities of these jurisdictions to identify a path towards long-term resilience for all of them.

- **Work with cities and developers so public and private infrastructure and development can function for decades, during which time the impacts of climate change, including sea level rise, will grow substantially**

Cities now require new development in the FEMA 100-year flood zone to build above FEMA's current flood elevation, but cities do not yet consider conditions brought by climate change. This is a lost opportunity to incorporate future conditions into the early planning of development and associated infrastructure that will be around for decades, and for cities to collaborate with the private sector in protecting that property and adjacent properties and assets. OneShoreline's objectives in this effort are to protect people and properties from current and future risks and avoid the more challenging and costly work of retrofitting properties for protection later. Given this reality, OneShoreline is working with several cities to update their General Plans, Specific Plans, and zoning ordinances so that these critical documents can today help guide our region's resilience to the future conditions brought on by climate change.

- **Develop a source of long-term, stable funding to support OneShoreline's climate resilience work**

Beginning in October 2020, the OneShoreline Board began exploring the potential to develop a countywide ballot measure in collaboration with San Mateo County to build resilience to our changing climate. This exploration includes outreach efforts to determine the public's concern for these issues and potential support for such a measure. As of October 2021, this process is ongoing, and no decisions have been made.

**BASIC FINANCIAL STATEMENTS**  
**Government-Wide Financial Statements**



**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 37,176,708
Accounts receivable	60,916
Interest receivable	3,158
Taxes receivable	84,511
Intergovernmental receivable	648,071
Prepaid expenses	16,856
Capital assets, net of accumulated depreciation	
Nondepreciable	2,312,544
Depreciable	25,906,186
Total Assets	66,208,950
<b>Liabilities</b>	
Accounts payable	896,445
Accrued interest	321,355
Unearned revenue	1,722
Long-term liabilities	
Revenue refunding bonds - due within one year	750,000
Revenue refunding bonds - due beyond one year	16,655,534
Accrued vacation leave - due within one year	34,553
Total Liabilities	18,659,609
<b>Deferred Inflows of Resources</b>	36,815
<b>Net Position</b>	
Net investment in capital assets	10,333,658
Restricted for debt service	69
Unrestricted	37,178,799
Total net position	\$ 47,512,526

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 Year Ended June 30, 2021**

	<b>Governmental Activities</b>
<b>Program Expenses</b>	
Public protection	\$ 2,309,629
Depreciation expense	785,142
Interest on long-term liabilities	630,965
Total Program Expenses	3,725,736
<b>Program Revenues</b>	
Operating grants and contributions	1,611,698
Capital grants and contributions	648,071
Total Program Revenues	2,259,769
Net Program Expenses	(1,465,967)
<b>General Revenues</b>	
Property tax	5,820,523
Interest and investment income (loss)	(32,992)
Other	10,443
Total General Revenues	5,797,974
Change in Net Position	4,332,007
Net Position - Beginning	43,180,519
<b>Net Position - Ending</b>	<b>\$ 47,512,526</b>

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, 2021**

	<b>General Fund</b>	<b>Colma Creek Flood Control Fund</b>	<b>San Bruno Creek Flood Control Fund</b>	<b>Bayfront Canal Atherton Capital Project Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>							
Cash and investments	\$ 1,735,599	\$ 30,019,724	\$ 3,823,067	\$ -	\$ 69	\$ 1,598,249	\$ 37,176,708
Receivables:							
Accounts receivable	60,916	-	-	-	-	-	60,916
Taxes receivable	-	66,292	12,576	-	-	5,643	84,511
Grants receivable	-	-	-	648,071	-	-	648,071
Interest receivable	107	2,583	331	-	-	137	3,158
Dues from other funds	192,171	-	-	-	-	-	192,171
Other assets	4,798	-	-	-	12,058	-	16,856
Total Assets	<u>\$ 1,993,591</u>	<u>\$ 30,088,599</u>	<u>\$ 3,835,974</u>	<u>\$ 648,071</u>	<u>\$ 12,127</u>	<u>\$ 1,604,029</u>	<u>\$ 38,182,391</u>
<b>Liabilities</b>							
Accounts payable	\$ 40,287	\$ 340,696	\$ 57,409	\$ 455,900	\$ -	\$ 2,153	\$ 896,445
Unearned revenues	-	1,722	-	-	-	-	1,722
Dues to other funds	-	-	-	192,171	-	-	192,171
Total Liabilities	<u>\$ 40,287</u>	<u>\$ 342,418</u>	<u>\$ 57,409</u>	<u>\$ 648,071</u>	<u>\$ -</u>	<u>\$ 2,153</u>	<u>\$ 1,090,338</u>
<b>Fund Balances</b>							
Nonspendable	4,798	-	-	-	12,058	-	16,856
Restricted	-	-	-	-	69	-	69
Assigned	1,948,506	29,746,181	3,778,565	-	-	1,601,876	37,075,128
Total Fund Balances	<u>1,953,304</u>	<u>29,746,181</u>	<u>3,778,565</u>	<u>-</u>	<u>12,127</u>	<u>1,601,876</u>	<u>37,092,053</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,993,591</u>	<u>\$ 30,088,599</u>	<u>\$ 3,835,974</u>	<u>\$ 648,071</u>	<u>\$ 12,127</u>	<u>\$ 1,604,029</u>	<u>\$ 38,182,391</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, 2021**

<b>Fund balances - total governmental funds</b>	<b>\$ 37,092,053</b>
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.	28,218,730
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.	(321,355)
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.	(36,815)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue refunding bonds	(15,425,000)
Premium on revenue refunding bonds	(1,980,534)
Accrued vacation leave	<u>(34,553)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 47,512,526</u></b>

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 Year Ended June 30, 2021**

	<b>General Fund</b>	<b>Colma Creek Flood Control Fund</b>	<b>San Bruno Creek Flood Control Fund</b>	<b>Bayfront Canal Atherton Capital Project Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>							
Property tax	\$ -	\$ 4,951,738	\$ 415,674	\$ -	\$ -	\$ 453,111	\$ 5,820,523
County contributions	750,000	-	-	-	-	-	750,000
City contributions	745,000	-	-	-	-	-	745,000
Capital grants and contributions	-	-	-	648,071	-	-	648,071
Other local aid	116,698	-	-	-	-	-	116,698
Interest and investment income (loss)	20,759	(45,501)	(5,826)	-	8	(2,432)	(32,992)
Other	-	10,197	-	-	246	-	10,443
Total Revenues	<u>1,632,457</u>	<u>4,916,434</u>	<u>409,848</u>	<u>648,071</u>	<u>254</u>	<u>450,679</u>	<u>8,057,743</u>
<b>Expenditures</b>							
Current:							
Salaries and benefits	565,598	-	-	-	-	-	565,598
Services and supplies	352,394	798,104	159,145	-	855	326,091	1,636,589
Capital outlay	107,811	17,543	-	648,071	-	-	773,425
Debt service - principal	-	-	-	-	710,000	-	710,000
Debt service - interest	-	-	-	-	789,000	-	789,000
Total Expenditures	<u>1,025,803</u>	<u>815,647</u>	<u>159,145</u>	<u>648,071</u>	<u>1,499,855</u>	<u>326,091</u>	<u>4,474,612</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	-	-	-	-	385,625	-	385,625
Transfers out	-	(385,625)	-	-	-	-	(385,625)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(385,625)</u>	<u>-</u>	<u>-</u>	<u>385,625</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	606,654	3,715,162	250,703	-	(1,113,976)	124,588	3,583,131
Fund Balances - Beginning	<u>1,346,650</u>	<u>26,031,019</u>	<u>3,527,862</u>	<u>-</u>	<u>1,126,103</u>	<u>1,477,288</u>	<u>33,508,922</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 1,953,304</u></u>	<u><u>\$ 29,746,181</u></u>	<u><u>\$ 3,778,565</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,127</u></u>	<u><u>\$ 1,601,876</u></u>	<u><u>\$ 37,092,053</u></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 Year Ended June 30, 2021**

**Net change in fund balances - total governmental funds** **\$ 3,583,131**

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	\$ 773,425	
Less capital project fund soft costs reflected as capital outlay	(79,667)	
Less current year depreciation	<u>(785,142)</u>	<u>(91,384)</u>

Repayment and defeasance of long-term liabilities are expenditures and other financing uses in the governmental funds but reduce long-term liabilities in the statement of net position

710,000

Change in accrued interest

14,791

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	140,630	
Amortization of deferred gain on refunding	2,614	
Change in accrued vacation leave	<u>(27,775)</u>	<u>115,469</u>

**Change in net position of governmental activities**

**\$ 4,332,007**

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 Year Ended June 30, 2021

**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, the City/County Association of Governments of San Mateo County (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 Year Ended June 30, 2021

**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 *Bayfront Canal Atherton Capital Project Fund* accounts for funds that support significant capital project operations for the District. This fund is financed by grants and contributions.
- 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. Property taxes and grant and contribution 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. 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 and implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for all state and local governments. The District does not currently have fiduciary activities and thus determines that there is no financial reporting impact for the year ended June 30, 2021 due to the implementation of GASB Statement No. 84.

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
 Notes to Financial Statements (Continued)  
 For the Year Ended June 30, 2021

**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 Year Ended June 30, 2021

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Capital Grant Contributions**

In addition to the annual County and city contributions noted under note 2(j), the District also receives one-time capital grant contributions for specific projects. For the year ended June 30, 2021, the District incurred capital project costs on the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration projects, for which it received a capital grant reimbursement after the balance sheet date.

**(l) 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.

**(m) Investment Earnings**

The District earns interest quarterly from the Local Agency Investment Fund (LAIF) and monthly on its investments with U.S. Bank.

**(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 INVESTMENTS**

Cash and investments as of June 30, 2021 consist of the following:

Investments with financial institutions	\$ 35,175,656
Deposits with financial institutions	<u>2,001,052</u>
Total cash and investments	<u><u>\$ 37,176,708</u></u>

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**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, 2021, cash balances in bank were insured up to \$250,000 per insured bank by the Federal Depository Insurance Corporation. At June 30, 2021, the bank balance of \$1,485,871 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**

Investment Policy

The District's investment policy addresses safekeeping and custody practices with financial institutions in which the District deposits funds, types of permitted investment instruments, and the percentage of the portfolio that may be invested in certain instruments. The objectives of the policy, in order of priority are safety, liquidity, and return on investments.

The table below identifies the investment types that are authorized by the investment policy. The table also identifies certain provisions of the investment policy that address interest rate risk and concentration of credit risk. The investment policy places maturity limits based on the type of security.

<u>Authorized Investments</u>	<u>Maximum Percentage of District Portfolio</u>	<u>Maximum Percentage Acquired from Single Issuer</u>	<u>Maximum Maturity</u>	<u>Credit Rating Requirements (1)</u>
U.S. Treasury Obligations	No limit	No limit	None	None
Federal Agency or United States Government-Sponsored Enterprise Obligations	No limit	No limit	None	None
Obligations of the State of California or Any Local Agency Within the State	20%	No limit	None	A
Registered Treasury Notes or Bonds of Any of the Other 49 States in Addition to California	20%	No limit	None	A
Commercial Paper (2)	20%	10%	270 days	None
				A (long-term)
Negotiable Certificates of Deposit	30%	No limit	None	A-1 (short-term)
Demand Deposits	No limit	No limit	None	None
Passbook Savings Accounts - Collateralized	No limit	No limit	None	None
Shares of Beneficial Interest Issued by Diversified Management Companies	20%	10%	None	None
Repurchase Agreements (3)	No limit	No limit	None	None
	Maximum amount permitted by the State Treasurer	No limit	None	None
Local Agency Investment Fund (State Pool)	No limit	No limit	None	None
San Mateo County Pool	No limit	No limit	None	AAA
Local Government Investment Pools (LGIPs)	40%	30%	180 days	None
Bankers' Acceptances	30%	No limit	5 years	A
Medium-Term Notes	30%	No limit	5 years	A

(1) Ratings listed are the required minimum investment security ratings assessed by a nationally recognized statistical-rating organization (NRSRO).

(2) No more than 5% of outstanding commercial paper investments can be invested in the Energy industry/sector.

(3) Overnight Repurchase Agreement shall be used solely as a short-term investment not to exceed 3 days.

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**3. CASH AND CASH EQUIVALENTS (Continued)**

District Investments

As of June 30, 2021, the District's investments consisted of the following:

<u>Investment Type</u>	<u>Credit Rating</u> S&P's/Moody's	<u>Investment Maturities (in Years)</u>		<u>Fair Value</u>
		<u>Less than 1</u>	<u>1 to 5</u>	
U.S. Treasury Notes	Not Rated / Aaa	\$ -	\$ 28,771,413	\$ 28,771,413
Local Agency Investment Funds	Not Rated	5,500,000	-	5,500,000
Medium Term Notes	BBB+ to AA / A1 to A3	-	904,243	904,243
Total Investments		<u>\$ 5,500,000</u>	<u>\$ 29,675,656</u>	<u>\$ 35,175,656</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. In accordance with the investment policy, the Treasurer manages the risk exposure by limiting the weighted average maturity of its investment portfolio to not more than two years at any time. The weighted average maturity of the District's investment portfolio at June 30, 2021 was 816 days.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The investment policy sets limits to certain investment types specifying the amount the District may invest in any one issuer. As of June 30, 2021, there were no issuers which held more than 5% of the District's investment portfolio.

Local Agency Investment Fund

As of June 30, 2021, the District's investment in the Local Agency Investment Fund (LAIF) was \$5.5 million, and the total amount invested by all participating agencies in LAIF is \$37.1 billion. The Local Investment Advisory Board (LIAB), which consists of five members as designated by State statute, provides oversight for LAIF. All securities are purchased under the authority of Government Code Sections 16430 and 16480.4. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. LAIF is part of the Pooled Money Investment Account (PMIA), which is not SEC-registered. As of June 30, 2021, the PMIA balance was \$193.3 billion, of which 2.31% in structured notes and asset backed securities.

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**3. CASH AND CASH EQUIVALENTS (Continued)**

Fair Value Measurement

The District prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Authorized investments in which the District can invest are outlined in the County's current effective investment policy, which are summarized in the "Investment Policy" section above.

The District's investments by fair value as of June 30, 2021 included the following:

<u>Investments</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments subject to fair value hierarchy:			
U.S. Treasury notes	\$ 28,771,413	\$ 28,771,413	\$ -
Medium term notes	904,243	-	904,243
Total investments subject to fair value hierarchy	<u>29,675,656</u>	<u>\$ 28,771,413</u>	<u>\$ 904,243</u>
Investments not subject to fair value hierarchy:			
Local agency investment funds held by County Treasury	<u>\$ 5,500,000</u>		

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

#### 4. CAPITAL ASSETS

Capital assets activity for the District for the year ended June 30, 2020 is as follows:

	<b>Balance</b> <b>July 1, 2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance</b> <b>June 30, 2021</b>
Non-Depreciable Capital Assets:					
Land	\$ 702,962	\$ -	\$ -	\$ -	\$ 702,962
Easements	92,419	-	-	-	92,419
Construction in Progress	823,405	693,758	-	-	1,517,163
Total non-depreciable capital assets	<u>1,618,786</u>	<u>693,758</u>	<u>-</u>	<u>-</u>	<u>2,312,544</u>
Depreciable capital assets:					
Infrastructure	39,253,006	-	-	-	39,253,006
Less accumulated depreciation for:					
Infrastructure	(12,561,678)	(785,142)	-	-	(13,346,820)
Depreciable capital assets, net	<u>26,691,328</u>	<u>(785,142)</u>	<u>-</u>	<u>-</u>	<u>25,906,186</u>
Total Capital Assets, net	<u>\$ 28,310,114</u>	<u>\$ (91,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,218,730</u>

Construction in process additions for the year ended June 30, 2021 primarily represents work performed on the Bayfront canal and Atherton channel flood protection and ecosystems restoration project and the Colma Creek flood control zone channel improvement and repair 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.

Revenue refunding bonds are pledged by all revenues, income and investment earnings, received by Colma Creek Flood Control Zone (Colma Creek), including the ad valorem taxes levied by the County and allocable to the Colma Creek. There is no right of acceleration under the indenture in an event of default. In the event of default, the trustee, U.S. Bank National Association, shall exercise its rights to indemnification and protection from liability under the indenture and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the bonds. The trustee shall be entitled to interest on all amounts advanced by it under the indenture at the maximum interest rate permitted by law. Notwithstanding the foregoing, the trustee shall not be required to advance its own funds. The trustee in its individual or other capacity may become the owner or pledgee of the bonds with the same rights it would have if it were not the trustee.

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.

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**5. LONG TERM LIABILITIES (Continued)**

The District's long-term liabilities as of June 30, 2021 are as follows:

Type of Indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2021
<b>2015 Revenue Refunding Bonds:</b>					
Serial current interest bonds	8/1/21 - 8/1/35	5.00%	\$750,000 - \$1,410,000	\$ 18,725,000	\$ 15,425,000

Annual debt service requirements for the governmental activities of the District as of June 30, 2021 are summarized as follows:

Fiscal Year Ended June 30,	Revenue Refunding Bonds	
	Principal	Interest
2022	\$ 750,000	\$ 752,500
2023	785,000	714,125
2024	825,000	673,875
2025	865,000	631,625
2026	910,000	587,250
2027-2031	5,270,000	2,190,000
2032-2036	6,020,000	715,250
Total	<u>\$ 15,425,000</u>	<u>\$ 6,264,625</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.

The District's long-term liabilities as of June 30, 2021 are as follows:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Amounts Due Within 1 Year
Revenue refunding bonds	\$ 16,135,000	\$ -	\$ (710,000)	\$ 15,425,000	\$ 710,000
Add: unamortized premium	2,121,164	-	(140,630)	1,980,534	140,630
Revenue refunding bonds, net	18,256,164	-	(850,630)	17,405,534	850,630
Accrued vacation leave	6,778	34,252	(6,477)	34,553	34,553
Total Governmental Activities	<u>\$ 18,262,942</u>	<u>\$ 34,252</u>	<u>\$ (857,107)</u>	<u>\$ 17,440,087</u>	<u>\$ 885,183</u>

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**6. LEASE**

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rental paid for this lease was \$98,932 for the year ended June 30, 2021, and the future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	
2022	\$ 101,906
2023	<u>69,472</u>
Total	<u>\$ 171,378</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 year ended June 30, 2021, the County made contributions of \$750,000 and the city agencies contributed a combined amount of \$745,000 as prescribed by Board resolution.

**(b) Property Tax**

The District receives monthly property tax payments from the County of San Mateo based on the County's apportionment factor calculations. The District's revenue for property tax appropriations amounted to \$5,820,523 for the year ended June 30, 2021.

**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 require 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.

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.

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2021

**9. INTERFUND BALANCES AND TRANSFERS**

The District's Bayfront Canal Atherton Capital Project Fund expended more funds than its available cash as of June 30, 2021, which resulted in a negative cash balance of \$192,171 and required short-term borrowing from the District's general fund. The capital project fund expects to repay the amount due to the general fund upon collection of its grants receivable.

For the year ended June 30, 2021, the District Colma Creek Flood Control fund made a transfer of \$385,625 to the Debt Service fund for the purpose of financing debt service obligations.

**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, 2022. 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, 2022. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

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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 Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
<b>Revenues</b>				
County contributions	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
City contributions	745,000	745,000	745,000	-
Other local aid	-	-	116,698	116,698
Interest and investment income (loss)	500	500	20,759	20,259
Other	-	-	-	-
Total Revenues	1,495,500	1,495,500	1,632,457	136,957
<b>Expenditures</b>				
Current:				
Salaries and benefits	\$ 668,249	\$ 668,249	\$ 565,598	\$ 102,651
Services and supplies	825,451	825,451	352,394	473,057
Capital outlay	-	-	107,811	(107,811)
Total Expenditures	1,493,700	1,493,700	1,025,803	467,897
Net Change in Fund Balance	\$ 1,800	\$ 1,800	606,654	\$ 604,854
Budgetary Fund Balance - Beginning			1,346,650	
<b>Budgetary Fund Balance - Ending</b>			<b>\$ 1,953,304</b>	

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 Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	
<b>Revenues</b>				
Property taxes	\$ 3,295,239	\$ 3,295,239	\$ 4,951,738	\$ 1,656,499
Interest and investment income (loss)	334,000	334,000	(45,501)	(379,501)
Other	9,000	9,000	10,197	1,197
Total Revenues	<u>3,638,239</u>	<u>3,638,239</u>	<u>4,916,434</u>	<u>1,278,195</u>
<b>Expenditures</b>				
Current:				
Services and supplies	\$ 3,506,183	\$ 3,506,183	\$ 798,104	\$ 2,708,079
Capital outlay	4,000,000	4,000,000	17,543	3,982,457
Total Expenditures	<u>7,506,183</u>	<u>7,506,183</u>	<u>815,647</u>	<u>6,690,536</u>
Net Change in Fund Balance	<u>\$ (3,867,944)</u>	<u>\$ (3,867,944)</u>	4,100,787	<u>\$ 7,968,731</u>
Budgetary Fund Balance - Beginning			<u>26,031,019</u>	
<b>Budgetary Fund Balance - Ending</b>			<u>30,131,806</u>	
<b>Other financing sources and uses</b>				
Operating transfers out			<u>(385,625)</u>	
<b>GAAP Fund Balance</b>			<u>\$ 29,746,181</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 Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amount</b>	
			<b>Budgetary</b>	<b>Final Budget</b>
			<b>Basis</b>	
<b>Revenues</b>				
Property taxes	\$ 279,548	\$ 279,548	\$ 415,674	\$ 136,126
Interest and investment income (loss)	44,500	44,500	(5,826)	(50,326)
Total Revenues	<u>324,048</u>	<u>324,048</u>	<u>409,848</u>	<u>85,800</u>
<b>Expenditures</b>				
Current:				
Services and supplies	\$ 722,312	\$ 722,312	\$ 159,145	\$ 563,167
Total Expenditures	<u>722,312</u>	<u>722,312</u>	<u>159,145</u>	<u>563,167</u>
Net Change in Fund Balance	<u>\$ (398,264)</u>	<u>\$ (398,264)</u>	250,703	<u>\$ 648,967</u>
Budgetary Fund Balance - Beginning			3,527,862	
<b>Budgetary Fund Balance - Ending</b>			<u>\$ 3,778,565</u>	

See notes to required supplementary information.

**SAN MATEO**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2021

**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 as of June 30, 2021.

**2. EXPENDITURES LESS THAN BUDGET**

The District had many areas of operations for the year ended June 30, 2021 where actual expenditures fell short of budgeted amounts. This is due primarily to the fact that the District was 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. The District has initiated a number of capital projects which are expected to increase in activity in the coming years.

## SUPPLEMENTARY INFORMATION



**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	<b>San Francisquito Creek Flood Control Fund</b>	<b>Ravenswood Slough Flood Control Zone Fund</b>	<b>San Mateo County Flood Control Zone Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ 1,127,917	\$ 454,427	\$ 15,905	\$ 1,598,249
Receivables				
Taxes receivable	5,380	263	-	5,643
Interest receivable	97	39	1	137
<b>Total Assets</b>	<b>\$ 1,133,394</b>	<b>\$ 454,729</b>	<b>\$ 15,906</b>	<b>\$ 1,604,029</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,039	\$ 112	\$ 2	\$ 2,153
<b>Fund Balances</b>				
Assigned	1,131,355	454,617	15,904	1,601,876
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,133,394</b>	<b>\$ 454,729</b>	<b>\$ 15,906</b>	<b>\$ 1,604,029</b>

**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 Year Ended June 30, 2021**

	<b>San Francisquito Creek Flood Control Fund</b>	<b>Ravenswood Slough Flood Control Zone Fund</b>	<b>San Mateo County Flood Control Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Property tax	\$ 434,159	\$ 18,952	\$ -	\$ 453,111
Interest and investment income (loss)	(1,713)	(695)	(24)	(2,432)
Total Revenues	<u>432,446</u>	<u>18,257</u>	<u>(24)</u>	<u>450,679</u>
<b>Expenditures</b>				
Current:				
Services and supplies	<u>325,841</u>	<u>248</u>	<u>2</u>	<u>326,091</u>
Net Change in Fund Balances	106,605	18,009	(26)	124,588
Fund Balances - Beginning	<u>1,024,750</u>	<u>436,608</u>	<u>15,930</u>	<u>1,477,288</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,131,355</u>	<u>\$ 454,617</u>	<u>\$ 15,904</u>	<u>\$ 1,601,876</u>

**SAN MATEO COUNTY**  
**FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**  
**Schedule of Cities Support**  
**For the Year Ended June 30, 2021**

<b>City/ Agency</b>	<b>Year Ended June 30, 2021 Contributions</b>
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 year ended June 30, 2021, 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 18, 2021.

**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 18, 2021