

Board of Directors Finance Committee Meeting

This meeting will be held remotely, with no physical meeting location. Participants may join the meeting by clicking on the following link:

To join the meeting by video, click on:

<https://oneshoreline-org.zoom.us/j/81420846422>

To join the meeting by phone, call: 669-444-9171, Meeting ID: 814 2084 6422, Passcode: 095867

AGENDA

November 16, 2023

2:00 PM

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. With the District's Auditor, discuss the draft Audited Financial Statements for the July 1, 2022 – June 30, 2023 Fiscal Year (attached)
 - B. With the District's Investment Advisor, discuss the recent performance of District investments *
5. **CEO's Report ***
6. **Adjournment**

* There are no documents associated with this agenda 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 prior to 8:00 a.m. 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 8:00 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.

November 3, 2023 DRAFT

**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, 2023

San Mateo, California

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
For the Year Ended June 30, 2023**

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SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Awards and Achievements



The Institute for Local Government (ILG) awarded OneShoreline for “the leadership and Innovation in climate resilience for their Planning Policy Guidance, which is a remarkable example of the great work special districts do to advance environmental sustainability in their communities.”

Commendation
THE BOARD OF SUPERVISORS OF SAN MATEO COUNTY, STATE OF CALIFORNIA
 COMMENTS AND HONORS

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 2020 MAYOR'S AWARD

UPON BEING RECOGNIZED BY THE SAN MATEO AREA CHAMBER OF COMMERCE AND THE CITY OF SAN MATEO AS AN EMERGING LOCAL BUSINESS THAT DEMONSTRATES CIVIC LEADERSHIP AND FOR INVALUABLE CONTRIBUTIONS AND COMMITMENT TO THE CHAMBER'S MISSION AND GOALS, THE BOARD HEREBY EXTENDS ITS SINCERE WISHES FOR CONTINUED SUCCESS AND SERVICE TO THE COMMUNITY.

DATE: February 13, 2020



DATE: PINE

CAROLE GROOM



CHAMBER LOCAL PRESIDENT

DON HORSLEY



DAVID J. CANEJA



In Recognition of

San Mateo County Flood and Sea Level Rise Resiliency District

Congratulations on your receipt of the Mayor's Award. The creation of this district will allow residents of San Mateo County to partner with federal and state agencies over the coming decades to meet the challenge of sea level rise and related flooding. San Mateo County is leading the way in forming new tools for our most significant challenges. The district, coupled with community engagement, will be the sharpest tool in the toolbox. Good luck in the years ahead.



Congresswoman Jackie Speier
U.S. House of Representatives

February 13, 2020

Date

S T A T E O F C A L I F O R N I A

Senate

CERTIFICATE OF RECOGNITION

Presented to

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

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

On this 13th day of February, 2020



JERRY HILL
Senator, 13th District

C A L I F O R N I A L E G I S L A T U R E

Assembly

CERTIFICATE OF RECOGNITION

San Mateo County Flood and Sea Level Rise Resiliency District

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

February 13, 2020





Kevin Mullin, 22nd District
Speaker pro Tempore

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

FY2022-2023

Board of Directors



Dave Pine
Chair
District 1



Debbie Ruddock
Vice Chair
Coastside



Ray Mueller
District 3



Adam Rak
Central San Mateo
County Cities



Donna Colson
Northern San Mateo
County Cities



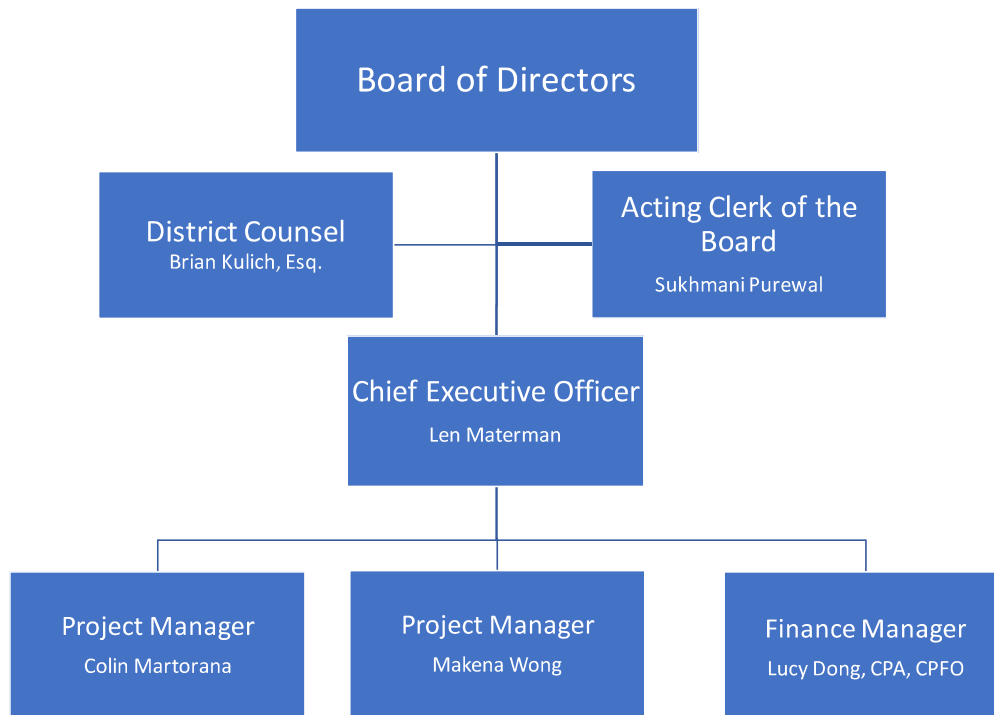
Lisa Gauthier
Southern San Mateo
County Cities



Marie Chuang
San Mateo County
Cities At-Large

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Organization Chart



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining nonmajor fund financial statements 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 3, 2023 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 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 3, 2023

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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, 2023

This Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the San Mateo County Flood and Sea Level Rise Resiliency District (also known as OneShoreline) for the fiscal year ended June 30, 2023. 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, 2023 by \$64.1 million (net position):

District's Net Position
June 30, 2023

Assets:	
Current and other assets	\$ 44,801,803
Capital assets	36,705,025
Total assets	81,506,828
Liabilities:	
Long-term liabilities	15,634,194
Other liabilities	1,749,451
Total liabilities	17,383,645
Deferred inflows of resources	31,587
Net position:	
Net investment in capital assets	20,290,349
Restricted	77
Unrestricted	43,801,170
Total net position	\$ 64,091,596

The District's net position at June 30, 2023 is subdivided into the following components:

- \$20.3 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, 2023 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.
- \$77 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*).
- \$43.8 million is available to fund District's programs for citizens and debt obligations to creditors (*unrestricted net position*).

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2023

The District held \$81.5 million in total assets at June 30, 2023 which were subdivided into the following components:

- \$44.8 million in current and other assets, which are comprised of \$42.9 million in cash and cash equivalents, \$1.9 million in receivables and \$22 thousand in prepaid expenses.
- \$36.7 million in capital assets, net of accumulated depreciation.

The District held \$17.4 million in total liabilities at June 30, 2023 which were subdivided into the following components:

- \$15.6 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 and leave for the District's employees at June 30, 2023.
- \$1.1 million in accounts payable.
- \$0.3 million in unearned revenue.
- \$0.3 million in accrued interest payable.

Fund Financial Position

The District's governmental funds reported combined fund balances of \$41.8 million at June 30, 2023. \$42.7 million (assigned fund balance), is available for spending at the District's discretion. The components of fund balance are outlined as follows at June 30, 2023:

District's Fund Balance
June 30, 2023

Nonspendable	\$	21,984
Restricted		77
Assigned		42,685,654
Unassigned		(882,459)
Total fund balance	\$	41,825,256

Capital Assets and Debt Administration

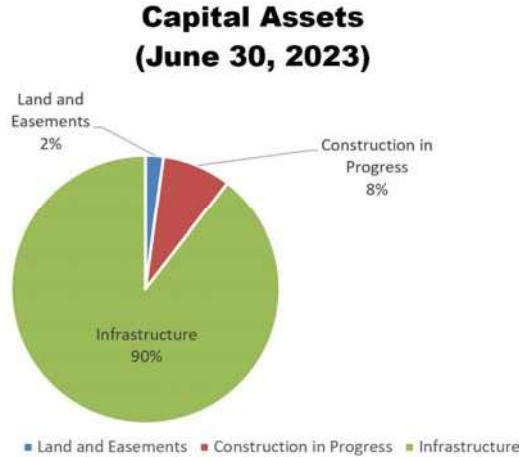
The District's capital assets balance was reported at \$36.7 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District's capital assets as of June 30, 2023 are comprised of the following:

Capital Assets
Net of Accumulated Depreciation

Land	\$	702,962
Easements		92,419
Construction in progress		3,043,132
Infrastructure, net		32,866,512
Total capital assets, net	\$	36,705,025

**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, 2023**

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



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

The District’s total long-term obligations were reported at \$15.6 million as of June 30, 2023, 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	\$	13,890,000
2015 Revenue refunding bonds - premium		1,699,274
Accrued vacation leave		44,920
Total long term obligations	\$	15,634,194

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 Notes 2(b).

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

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2023

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.

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 21-22 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, capital projects, 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 23 – 26 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, 2023

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 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

District's Net Position				
June 30, 2023				
	June 30, 2023	June 30, 2022	Difference (\$)	Difference (%)
Assets:				
Current and other assets	\$ 44,801,803	\$ 40,230,389	\$ 4,571,414	11.36%
Capital assets, net	36,705,025	35,250,810	1,454,215	4.13%
Total assets	81,506,828	75,481,199	6,025,629	
Liabilities:				
Long-term liabilities	15,634,194	16,560,237	(926,043)	-5.59%
Other liabilities	1,749,451	1,791,947	(42,496)	-2.37%
Total liabilities	17,383,645	18,352,184	(968,539)	
Deferred inflows of resources	31,587	34,201	(2,614)	-7.64%
Net position:				
Net investment in capital assets	20,290,349	18,061,076	2,229,273	12.34%
Restricted	77	73	4	5.48%
Unrestricted	43,801,170	39,033,665	4,767,505	12.21%
Total net position	\$ 64,091,596	\$ 57,094,814	\$ 6,996,782	

The District's current assets increased by \$4.6 million. This was primarily a result of increasing property tax apportionments from the County of San Mateo for the year ended June 30, 2023 in comparison with the year ended June 30, 2022.

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, 2023

Assets

- *Cash and cash equivalents* were reported at \$42.9 million as of June 30, 2023. \$28.5 million was deposited in the District's US Bank Custodial Account, \$3.5 million was deposited in District's Wells Fargo Bank Account, \$10.9 million was deposited in the District's Local Agency Investment Fund Account.
- *Interest receivable* was reported at \$0.2 million at June 30, 2023 and represents proportionate interest earned at the end of June 30, 2023 that are expected to be collected within 15 days after the fiscal year end.
- *Taxes receivable* was reported at \$0.1 million as of June 30, 2023 and represents the property tax that was earned at the end of June 30, 2023 and will be distributed within 60 days after fiscal year end.
- *Intergovernmental receivable* was reported at \$1.6 million at June 30, 2023, and represents the District's grant awards earned but not yet paid by the granting agencies as of June 30, 2023.
- *Prepaid expenses* were reported at \$22 thousand at June 30, 2023 and includes the District's prepaid health and liability insurance premium and unamortized prepaid insurance for bond issuance.
- *Capital assets* amounted to \$36.7 million, net of accumulated depreciation, and are broken down further in the tables under note 4.

Liabilities

- *Accounts Payable* was reported at \$1.1 million as of June 30, 2023 and represents the sum of all outstanding amounts the District owed to vendors for goods or services received that have not yet been paid for at the end of the fiscal year.
- *Unearned Revenue* was reported at \$0.3 million as of June 30, 2023 and represents transactions where the District has received cash but has not yet performed the associated services at the end of the fiscal year.
- *Accrued Interest* was reported at \$0.3 million as of June 30, 2023 and represents the amount of interest that the District has incurred as of June 30, 2023, on the 2015 Colma Creek revenue refunding bonds but which has not yet been paid out.
- *Long-term obligations* were reported to \$15.6 million as of June 30, 2023 and are further broken down in the table under note 5. The District has \$0.8 million in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$13.1 million in debt service principal payments due beyond one year on the same bonds. The District has \$1.7 million in unamortized bond premiums as of June 30, 2023, of which \$0.1 million will be amortized within one year. Additionally, \$45 thousand is reported for the District's accrued vacation and leave, of which \$36 thousand is estimated to be due within one year.

Deferred inflows of resources were reported at \$32 thousand at June 30, 2023 and represents deferred gains on refunding pertaining to the 2015 Colma Creek revenue refunding bonds.

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, 2023

The District's activities and changes in net position for the year ended June 30, 2023 are summarized as follows:

	FY 2023	FY 2022	Difference (\$)	Difference (%)
Program expenses:				
Public protection	\$ 2,063,232	\$ 3,646,184	\$ (1,582,952)	-43.41%
Depreciation expense	973,569	785,142	188,427	24.00%
Interest on long-term liabilities	554,527	593,630	(39,103)	-6.59%
Total program expenses	<u>3,591,328</u>	<u>5,024,956</u>	<u>(1,433,628)</u>	
Program revenues:				
Operating grants and contributions	1,446,362	2,242,915	(796,553)	-35.51%
Capital grants and contributions	1,748,483	7,278,352	(5,529,869)	-75.98%
Total program revenues	<u>3,194,845</u>	<u>9,521,267</u>	<u>(6,326,422)</u>	
General revenues:				
Property tax	7,268,967	6,370,033	898,934	14.11%
Interest and investment income	113,471	(1,294,776)	1,408,247	-108.76%
Other	10,827	10,720	107	1.00%
Total general revenues	<u>7,393,265</u>	<u>5,085,977</u>	<u>2,307,288</u>	
Changes in net position	6,996,782	9,582,288	(2,585,506)	-26.98%
Net position - beginning:	57,094,814	47,512,526	9,582,288	
Net position - ending	<u>\$ 64,091,596</u>	<u>\$ 57,094,814</u>	<u>\$ 6,996,782</u>	

Analysis of Governmental Activities - Revenues and Expenses

The District's net position increased by \$7.0 million for the year ended June 30, 2023. The District's project costs are expected to gradually decrease in future years as projects will move to operation and maintenance. For the year ended June 30, 2023, the District's costs are still outweighed by its annual revenues for property tax and contributions by \$7.0 million. In particular, the District's property tax revenues from the County increased by \$0.9 million and the District's operating and capital grants decreased by \$6.3 million, and the District is incurred \$1.6 million less in costs for public protection activities as a result of less capital projects getting underway.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The following is a summary of significant changes in activities under the District's major governmental funds between the year ended June 30, 2022 and the year ended June 30, 2023:

- The District had a significant decrease in the activities for the Bayfront Canal Atherton Capital Project fund for the financial reporting period ended June 30, 2023, to report decreasing capital project activities. The fund reported total revenues and expenditures of \$0.3 million for project costs incurred through the balance sheet date.
- The District created the Burlingame-Millbrae SFO Shoreline Capital Project fund for the financial reporting period ended June 30, 2023, to report capital project activities. The fund has started incurring capital outlay in the amount of \$1.4 million for the year ended June 30, 2023. Future years are expected to reflect increased activities for this fund.

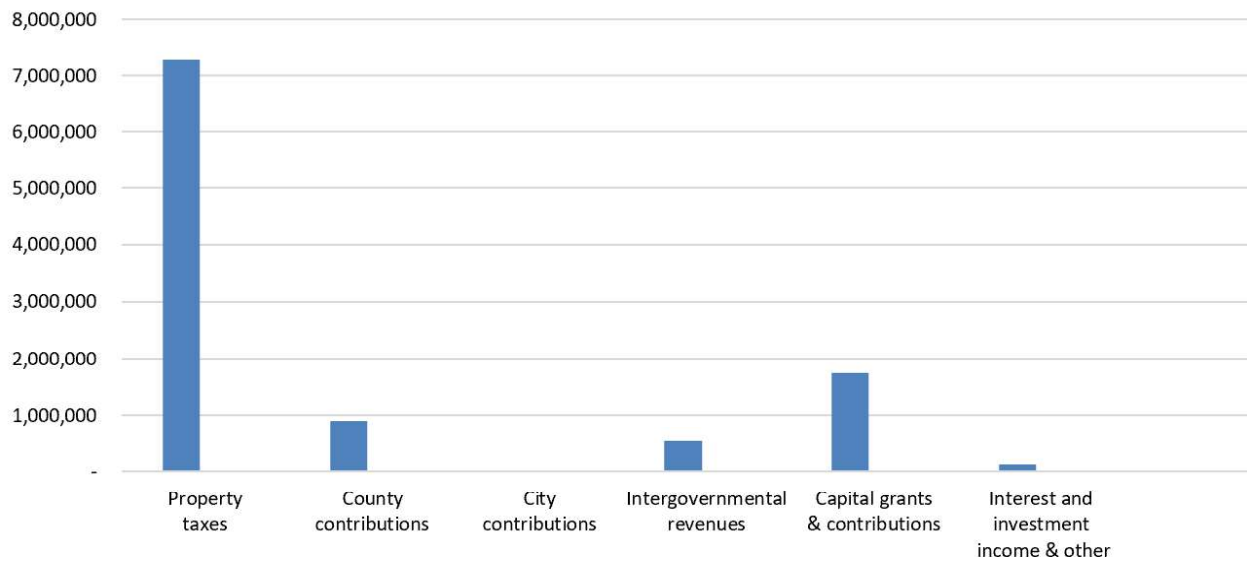
**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2023**

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, \$1.6 million and \$0.1 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, 2023. The District is steadily expanding its operations and anticipates annual increases in expenditures, but costs for the year ended June 30, 2023 did not rise to the level expected when preparing budgeted forecasts.

Governmental Activities - Revenues

**Revenues by Sources - Government-wide
(FY2022-2023)**

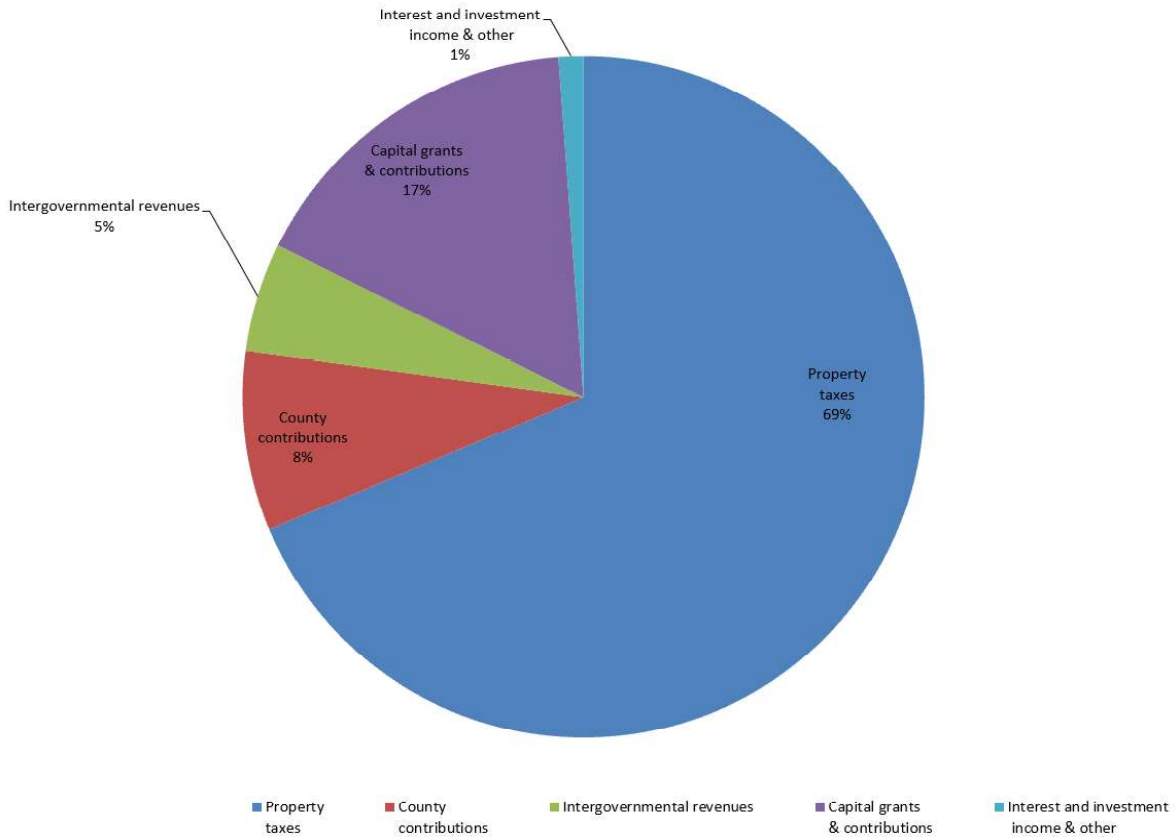


Program Revenues accounted for 30.2% of the District’s overall governmental activities revenues. Program revenues amounted to \$3.2 million for the year ended June 30, 2023. This included \$2.3 million in capital and operating grants supporting the District’s projects and \$0.9 million in Measure K grant contributions from the County of San Mateo.

**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, 2023**

The District’s revenues for the fiscal year ended June 30, 2023 are comprised of and distributed as follows:

**Revenues by Sources - Government-wide
(FY2022-2023)**



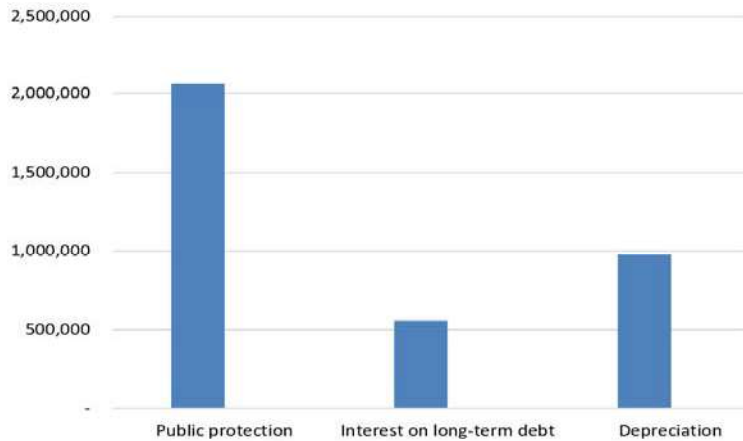
General Revenues were reported at \$7.4 million and accounted for 69.8% of the District’s overall governmental activities revenues. General Revenues primarily consisted of the following:

- *Property Tax Revenues* were reported at \$7.3 million and were generated from the District’s 8 flood control zones contained within 4 special revenue funds reported in the basic financial statements.
- *Interest and Investment Income and other revenue* was reported at \$0.1 million.

**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, 2023**

Governmental Activities - Expenses

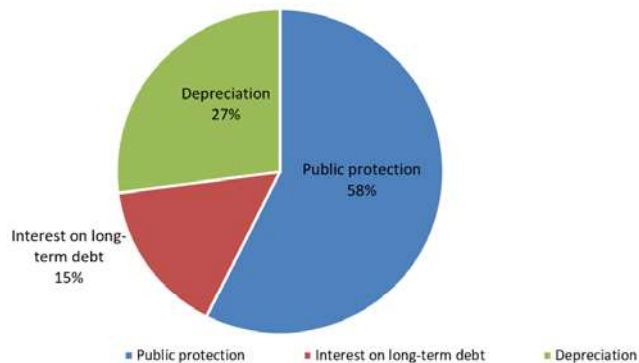
**Governmental Activities
Expense by Function/Program
(FY2022-2023)**



- **Expenses for *Public Protection*** accounted for 58% of the District’s overall governmental activities expenses. Public protection expenses were reported at \$2.1 million for the year ended June 30, 2023, \$1.3 million of this was costs of services and supplies, \$0.7 million was costs of salaries and benefits and \$13 thousand was capital project fund soft costs reflected as capital outlay.
- **Expenses for *Interest on long-term debt*** is current portion of the accrued interest of 2015 Colma Creek Revenue Refunding bond, reported \$0.6 million and accounted for 15% of the District’s overall governmental activities expenses.
- **Expenses for *Depreciation*** represents the depreciation costs on the District’s capital assets incurred for the year ended June 30, 2023 and amounted to \$1.0 million, or 27% of the District’s overall governmental expenses.

The District’s expenses for the fiscal year ended June 30, 2023 are comprised of and distributed as follows:

**Governmental Activities
Expense by Function/Program
(FY2022-2023)**



**San Mateo County Flood and Sea Level Rise Resiliency District
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The map below highlights the locations of several of the projects around San Mateo County that the District (also known as OneShoreline) either leads or supports. The following pages describe three of these projects in greater detail – more information may be found at [OneShoreline.org/Projects](https://www.oneshoreline.org/Projects). District land use planning activities can be found at [OneShoreline.org/Planning-Guidance](https://www.oneshoreline.org/Planning-Guidance).



Accomplishments in FY 2022-23

Operations of our first major flood mitigation project – The Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project

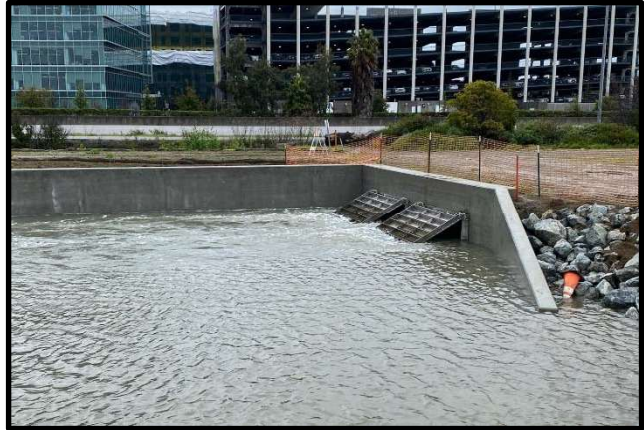
In operation since November 2022, the Bayfront Canal and Atherton Channel Flood Protection & Ecosystem Restoration Project provides critical relief to flood-prone communities, including five mobile home parks, that line Bayfront Canal and Atherton Channel, who have experienced frequent flooding for decades. These flood channels, which drain portions of the cities of Menlo Park and Redwood City,



Towns of Atherton and Woodside, and unincorporated San Mateo County, normally drain to San Francisco Bay through a tide gate structure owned and operated by Redwood City. However, stormwater flows

**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, 2023**

concurrent with high tide conditions impede this drainage and quickly overwhelm the Canal's capacity. For over a decade in the planning phase, OneShoreline assumed the role of lead agency on this multi-jurisdictional project, installing parallel concrete box culverts underground at the entrance to a local park, diverting stormwater from the Canal into a managed pond complex (Ponds) operated by the U.S. Fish & Wildlife Service. By connecting the Bayfront Canal and Atherton Channel to the Ponds, the Canal's capacity is essentially increased by over 160 acre-feet, while the potential of flooding to the threatened community is decreased. As this project bridges several jurisdictional boundaries, requiring access on both private lands, and local, state, and federal jurisdictions, OneShoreline was well positioned to bridge this gap and bring this project to fruition.



As a result of the major storms experienced in December 2022 through March 2023, this project performed as designed diverting stormwater overflows at least nine times to the Ponds and significantly reducing flooding to previously threatened areas. Through a joint operations plan that establishes the roles and responsibilities for OneShoreline, the City of Redwood City, and U.S. Fish & Wildlife Service staff, this collaborative's members were onsite throughout the season's storms, to clean debris removed by the system's automatically-operated trash racks, and to ensure the structure's effectiveness for subsequent storms. An estimated 15 cubic yards of debris were removed from the Canal.

With this project in place and operational, the adjacent community experienced significantly reduced flooding, even through several record-level storms. As we look to the future, this important flood mitigation system will only become more important as sea levels continue to rise, and the concurrence of storms and high tides will only become more regular, necessitating diversions.

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, 2023

OneShoreline Flood Early Warning System

As reported in previous years, OneShoreline operates, maintains, and is currently expanding the region's Flood Early Warning System (FEWS). Our FEWS is used to monitor real-time local creek and precipitation conditions to inform emergency response personnel, public works staff, and the general public of potential flood threats, and empower those folks to make critical decisions during emergencies. This effort is funded by the California Department of Water Resources through a Flood Emergency Response grant, focused on augmenting the region's flood emergency response and early warning capacity.



As a result of this winter's storm season the FEWS, which is publicly accessed via OneShorelineEarlyWarning.onerain.com, proved a vital and reliable resource for alerts to city and county emergency response personnel and concerned members of the public, along flood-prone reaches of Colma, San Bruno, San Mateo, Atherton, and Belmont Creeks which collectively drain parts of 14 cities and unincorporated County areas.

In FY2023-24, OneShoreline plans to expand the Flood Early Warning System to at least three new flood-prone areas on both the Pacific coastside and Bayside of our county.

Through the efforts described above, we have built a robust communication network and effective emergency response protocols for OneShoreline and its partner agencies, providing the foundation for the planned Flood Emergency Action Plans within the Colma, Bayfront & Atherton, and Belmont Creek watersheds, to better define and coordinate activities and emergency-related responsibilities before, during, and after flood events. While high-level communications continue at the managerial level, efforts are underway to bring on a consultant to support the development of these Plans.

**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, 2023**

Bayside Stream Maintenance Program

Since OneShoreline was established, California had its 3 driest years on record, and at the end of last year, we encountered our three wettest weeks on record, according to the California Department of Water Resources. This year's extreme storm season was extraordinary in terms of historical context, however, events like this are anticipated to become ordinary as the climate continues to change.



During this winter's storms, several Bayside creeks in San Mateo County experienced substantial flooding. As OneShoreline staff provided regional jurisdictional support in post-storm clean-ups and emergency flood mitigation activities, it became increasingly apparent that the primary cause of the flooding originating from creeks resulted from a lack of adequate water flow capacity, driven in part by a substantial buildup of sediment and vegetation. As most of these overburdened creeks' floodplains include more than one jurisdiction, both the cause of and remedy to this flooding involve multiple agencies. Further, OneShoreline found that environmental regulatory agencies prefer and encourage maintenance permits that allow for debris removal for the purpose of flood protection be done on a countywide basis, led by one agency.

Recognizing this, and with funding provided by San Mateo County as described in the previous section, OneShoreline initiated a process to develop a 5-year stream maintenance permit to enable local jurisdictions to periodically remove debris from those constrained reaches of five Bayside creeks that caused flooding this past winter, including Atherton, Cordilleras, Belmont, San Mateo, and San Bruno Creeks. With those funds, the District has brought on a consultant to support the development of the permit applications. The acquisition of these permits and the implementation of the maintenance activities covered under this permit will be performed by the benefitting local jurisdictions, the County, and Caltrans, within their respective jurisdictions during the 2023-24 fiscal year.



**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, 2023**

Millbrae and Burlingame Shoreline Area Protection & Enhancement Project

There are two types of flood hazards that threaten people and property in this area:

1. Flooding from San Francisco Bay resulting from storm surges and high tides, which are increasing with sea level rise, and
2. Inland flooding during major rainfall events that overwhelm local creeks and storm drain systems and are exacerbated by high tides.

These flood hazards threaten critical and regionally significant infrastructure in Millbrae, Burlingame, and adjacent areas that serve the larger Bay area and beyond. This includes SFO, two water treatment plants, U.S. 101 Highway, a rail corridor and intermodal transportation center, and electrical distribution facilities valued at several billion dollars and providing thousands of jobs. In late 2019 and early 2020, separate studies conducted by the cities of Burlingame and Millbrae evaluated their vulnerability to sea level rise within San Francisco Bay and explored strategies to reduce that vulnerability. Meanwhile, the San Francisco International Airport (SFO) has undertaken a Shoreline Protection Program to protect its perimeter from sea level rise. Soon after it was established by State legislation in 2020, OneShoreline began discussing with these entities the need to coordinate these efforts.

Consistent with its core purpose, In January 2022, the OneShoreline Board committed \$4 million to jump-start its initiative in this area of the Bay shoreline, known as the Millbrae and Burlingame Shoreline Area Protection and Enhancement Project. The Project has the following three primary objectives: 1) protect areas within the cities of Millbrae and Burlingame along the Bay shoreline, creeks, and lagoons against current coastal hazards and future sea level rise as defined by OneShoreline’s Bay Protection Standard; 2) enhance shoreline access, recreation, and trails; and 3) promote healthy and sustainable ecosystems proximate to the Bay shoreline. The proposed Project would include a combination of offshore and shoreline features to achieve these objectives.



By the spring of 2022, we engaged a consultant team of engineers and experts in CEQA, environmental permitting and other disciplines. Since then, this team has completed a LiDAR flyover to update topography and bathymetry; collected data and drafted reports summarizing the Project’s environmental constraints (e.g. biological/cultural resources and hazardous materials), coastal flood hazards, and inland flood hazards; completed the initial round of geotechnical borings; identified a series of Project alternatives; met with subject matter experts and environmental regulatory staff to facilitate early input on these alternatives; and completed an alternatives feasibility analysis.

**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, 2023**

Work with cities and developers so that private property and public infrastructure are planned in the context of future climate conditions and regional protection efforts

Because San Mateo County has more people and property at risk from the first few feet of sea level rise than any other county in California, its residents, and their elected leaders understand that climate change poses a transformative challenge to our communities. An enduring aspect of the District's work to build long-term resilience countywide rests on identifying opportunities for new development and infrastructure projects to be planned and sited in such a way as to achieve long-term resilience. These projects are intended to function for decades, during which time the impacts of climate change will grow, and thus these projects should be designed to function under foreseeable future conditions, including higher sea levels and more intense storms, wildfires, drought, and heat. Incorporating climate resilience into the siting and building of these assets now will avoid the much more difficult and costly effort to retrofit these assets later.

Towards this end, and utilizing a portion of the \$8 million in State funding mentioned above, OneShoreline has worked 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. The work to update these key planning documents began with the City of Burlingame, which in December 2021 became the first city in the Bay Area to incorporate requirements related to sea level rise protection into its citywide zoning ordinance.

Throughout FY2022-23, OneShoreline and its consultants with expertise in land use planning and engineering, as well as the District's Stanford Ph.D. fellow, worked to develop a standardized, yet evolving, voluntary resource, titled *Planning Policy Guidance to Protect and Enhance Bay Shoreline Areas of San Mateo County*. This document, which received almost 600 written comments from agencies, businesses, and individuals, was adopted by the District Board of Directors in late June 2023. It is the first such document in our region to provide template text for a general plan, specific plan, and zoning ordinance and recommendations for reviewing private development proposals with an eye toward resilience.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and investments	\$ 42,867,615
Interest receivable	216,747
Taxes receivable	93,327
Intergovernmental receivable	1,602,130
Prepaid expenses	21,984
Capital assets, net of accumulated depreciation	
Nondepreciable	3,838,513
Depreciable	32,866,512
Total Assets	81,506,828
Liabilities	
Accounts payable	1,116,097
Accrued interest	289,375
Unearned revenue	343,979
Long-term liabilities	
Revenue refunding bonds - due within one year	965,630
Revenue refunding bonds - due beyond one year	14,623,644
Accrued vacation and leave - due within one year	36,461
Accrued vacation and leave - due beyond one year	8,459
Total Liabilities	17,383,645
Deferred Inflows of Resources	31,587
Net Position	
Net investment in capital assets	20,290,349
Restricted for debt service	77
Unrestricted	43,801,170
Total net position	\$ 64,091,596

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, 2023**

	Governmental Activities
Program Expenses	
Public protection	\$ 2,063,232
Depreciation expense	973,569
Interest on long-term liabilities	554,527
Total Program Expenses	3,591,328
 Program Revenues	
Operating grants and contributions	1,446,362
Capital grants and contributions	1,748,483
Total Program Revenues	3,194,845
Net Program Revenues	(396,483)
 General Revenues	
Property tax	7,268,967
Interest and investment income (loss)	113,471
Other	10,827
Total General Revenues	7,393,265
Change in Net Position	6,996,782
Net Position - Beginning	57,094,814
Net Position - Ending	\$ 64,091,596

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, 2023

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Bayfront Canal Atherton Capital Project Fund	Burlingame-Millbrae SFO Shoreline Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and investments	\$ 2,473,040	\$ 34,849,652	\$ 3,397,428	\$ 348,639	\$ -	\$ 77	\$ 1,798,779	\$ 42,867,615
Receivables:								
Taxes receivable	-	90,951	1,167	-	-	-	1,209	93,327
Grants receivable	709,148	85,659	-	-	807,323	-	-	1,602,130
Interest receivable	9,830	178,352	17,475	1,835	-	-	9,255	216,747
Dues from other funds	451,662	-	-	-	-	-	-	451,662
Other assets	11,638	-	-	-	-	10,346	-	21,984
Total Assets	\$ 3,655,318	\$ 35,204,614	\$ 3,416,070	\$ 350,474	\$ 807,323	\$ 10,423	\$ 1,809,243	\$ 45,253,465
Liabilities								
Accounts payable	\$ 82,411	\$ 479,006	\$ 99,790	\$ 7,930	\$ 429,362	\$ -	\$ 17,598	\$ 1,116,097
Unearned revenues	-	-	-	343,979	-	-	-	343,979
Dues to other funds	-	-	-	-	451,662	-	-	451,662
Total Liabilities	\$ 82,411	\$ 479,006	\$ 99,790	\$ 351,909	\$ 881,024	\$ -	\$ 17,598	\$ 1,911,738
Deferred Inflows of Resources								
	709,148	-	-	-	807,323	-	-	1,516,471
Fund Balances								
Nonspendable	11,638	-	-	-	-	10,346	-	21,984
Restricted	-	-	-	-	-	77	-	77
Assigned	2,852,121	34,725,608	3,316,280	-	-	-	1,791,645	42,685,654
Unassigned	-	-	-	(1,435)	(881,024)	-	-	(882,459)
Total Fund Balances	2,863,759	34,725,608	3,316,280	(1,435)	(881,024)	10,423	1,791,645	41,825,256
Total Liabilities and Fund Balances	\$ 3,655,318	\$ 35,204,614	\$ 3,416,070	\$ 350,474	\$ 807,323	\$ 10,423	\$ 1,809,243	\$ 45,253,465

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, 2023

Fund balances - total governmental funds	\$ 41,825,256
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are shown as deferred inflows of resources in the governmental funds.	1,516,471
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	36,705,025
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.	(289,375)
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.	(31,587)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue refunding bonds	(13,890,000)
Premium on revenue refunding bonds	(1,699,274)
Accrued vacation and leave	<u>(44,920)</u>
Net position of governmental activities	<u><u>\$ 64,091,596</u></u>

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2023

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Bayfront Canal Atherton Capital Project Fund	Burlingame-Millbrae SFO Shoreline Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property tax	\$ -	\$ 6,240,996	\$ 482,552	\$ -	\$ -	\$ -	\$ 545,419	\$ 7,268,967
County contributions	900,000	-	-	-	-	-	-	900,000
Intergovernmental revenues	460,703	85,659	-	-	-	-	-	546,362
Capital grants and contributions	-	-	-	286,930	592,997	-	-	879,927
Interest and investment income (loss)	10,052	90,185	5,782	1,941	-	4	5,507	113,471
Other	-	10,827	-	-	-	-	-	10,827
Total Revenues	1,370,755	6,427,667	488,334	288,871	592,997	4	550,926	9,719,554
Expenditures								
Current:								
Salaries and benefits	743,648	-	-	-	-	-	-	743,648
Services and supplies	358,810	207,565	298,358	-	-	856	441,045	1,306,634
Capital outlay	100,949	457,275	273,417	290,306	1,319,200	-	-	2,441,147
Debt service - principal	-	-	-	-	-	785,000	-	785,000
Debt service - interest	-	-	-	-	-	714,125	-	714,125
Total Expenditures	1,203,407	664,840	571,775	290,306	1,319,200	1,499,981	441,045	5,990,554
Other Financing Sources (Uses):								
Transfers in	60,000	-	-	-	-	1,499,125	-	1,559,125
Transfers out	-	(1,549,225)	(4,400)	-	-	-	(5,500)	(1,559,125)
Total Other Financing Sources (Uses)	60,000	(1,549,225)	(4,400)	-	-	1,499,125	(5,500)	-
Net Change in Fund Balances	227,348	4,213,602	(87,841)	(1,435)	(726,203)	(852)	104,381	3,729,000
Fund Balances - Beginning	2,636,411	30,512,006	3,404,121	-	(154,821)	11,275	1,687,264	38,096,256
Fund Balances - Ending	\$ 2,863,759	\$ 34,725,608	\$ 3,316,280	\$ (1,435)	\$ (881,024)	\$ 10,423	\$ 1,791,645	\$ 41,825,256

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, 2023

Net change in fund balances - total governmental funds \$ 3,729,000

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	\$ 2,441,147		
Less capital project fund soft costs reflected as capital outlay	(13,363)		
Less current year depreciation	<u>(973,569)</u>	<u>1,454,215</u>	
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.			868,556
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			785,000
Change in accrued interest			16,354
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>413</u>	<u>143,657</u>	
Change in net position of governmental activities			<u><u>\$ 6,996,782</u></u>

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, 2022

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 stormwater 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, 2023

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 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 *Burlingame-Millbrae SFO Shoreline Capital Project Fund* accounts for funds that support significant capital project operations for the District. This fund is financed by the State Coastal Conservancy grant.
- The *Debt Service Fund* accounts for the accumulation and resources for, and the payment of, long-term debt principal, interest, and related costs.

The District reports the following non-major governmental funds:

- *San Francisquito Creek Flood Control Fund* accounts for creek improvement activities in San Francisquito Creek. This fund is financed by property taxes.
- *Ravenswood Slough Flood Control Zone Fund* accounts for flood control projects in the Ravenswood Slough Flood Control Zone Fund. This fund is financed by property taxes.

(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 has evaluated the requirements of GASB Statements No. 91, *Conduit Debt Obligations*, No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, No. 96, *Subscription-Based Information Technology Arrangements*, and certain provisions of No. 99, *Omnibus* that are effective for the year ended June 30, 2023, and determined they had no impact on the District's financial statements for the year ended June 30, 2023.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 99, *Omnibus*, as related to requirements for financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53, No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and No. 101, *Compensated Absences*.

(d) Investment Valuation

Investments are carried at fair value, except for investments in the Local Agency Investment Fund (LAIF). Fair value is based on current market prices. The value of the District's share in LAIF is determined on an amortized cost basis, which approximates fair value.

(e) Receivables

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

(f) 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.

(g) 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 government-wide financial statements. Estimated useful lives for depreciable capital assets currently held by the District range from 25 years to 50 years.

(h) Leases

Under the provisions of GASB Statement No. 87, the District is required to recognize a lease liability and an intangible right-to-use lease asset as a lessee and a lease receivable and a deferred inflow of resources as a lessor. The District's policy is to record leases with an initial net present value of \$50,000.

(i) Accrued Vacation Leave

The District allows employees to accumulate earned but unused vacation and leave 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 is considered due and payable. The liability for accrued vacation and leave includes the District's share of social security and Medicare contributions payable on behalf of the employees. The District estimates the current portion of accrued vacation and leave based on prior year usage.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

(k) Property Tax

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

(l) County Contributions

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

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

Interfund transactions are treated as transfers under the other financial sources and use a 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.

(n) Investment Earnings

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

(o) 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.

(p) 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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2023

3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 consist of the following:

Investments with financial institutions	\$ 39,272,255
Deposits with financial institutions	<u>3,595,360</u>
Total cash and cash equivalents	<u><u>\$ 42,867,615</u></u>

(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 fair 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, 2023, cash balances in bank were insured up to \$250,000 per insured bank by the Federal Depository Insurance Corporation. At June 30, 2023, the bank balance of \$3,212,952 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.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2023

3. CASH AND CASH EQUIVALENTS (Continued)

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.

Authorized Investments	Maximum Percentage of District Portfolio	Maximum Percentage Acquired from Single Issuer	Maximum Maturity	Credit Rating Requirements (1)
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%	No limit	270 days	None
Negotiable Certificates of Deposit	30%	No limit	None	A (long-term) A-1 (short-term)
Mortgage and Asset Backed Securities	20%	No limit	None	AA
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
Local Agency Investment Fund (State Pool)	Maximum amount permitted by the State Treasurer	No limit	None	None
San Mateo County Pool	No limit	No limit	None	None
Local Government Investment Pools (LGIPs)	No limit	No limit	None	AAA
Bankers' Acceptances	40%	30%	180 days	None
Medium-Term Notes	30%	No limit	5 years	A
Supranational Entities USD Denominated Senior Unsecured Unsubordinated Obligations	30%	No limit	5 years	AA

- (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, 2023

3. CASH AND CASH EQUIVALENTS (Continued)

District Investments

As of June 30, 2023, the District's investments consisted of the following:

Investment Type	Credit Rating S&P's/Moody's	Investment Maturities (in Years)		Fair Value
		Less than 1	1 to 5	
U.S. Treasury Notes	AA+ / Aaa	\$ 2,791,413	\$ 19,058,810	\$ 21,850,223
Local Agency Investment Funds	Not Rated	10,880,222	-	10,880,222
Medium Term Notes	BBB+ to AAA / A1 to A3	215,644	6,222,946	6,438,590
Municipal Notes	Not Rated to A+ / AA3	-	103,220	103,220
Total Investments		\$ 13,887,279	\$ 25,384,976	\$ 39,272,255

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, 2023 was 691 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, 2023, there were no issuers which held more than 5% of the District's investment portfolio.

Local Agency Investment Fund

As of June 30, 2023, the District's investment in the Local Agency Investment Fund (LAIF) was \$10.9 million, and the total amount invested by all participating agencies in LAIF is \$25.7 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, 2023, the PMIA balance was \$176.4 billion, of which 2.78% 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, 2023

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, 2023 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	\$ 21,850,223	\$ 21,850,223	\$ -
Medium Term Notes	6,438,590	-	6,438,590
Municipal Notes	103,220	-	103,220
Total investments subject to fair value hierarchy	<u>28,392,033</u>	<u>21,850,223</u>	<u>6,541,810</u>
Investments not subject to fair value hierarchy:			
Local agency investment funds held by State Treasury	<u>\$ 10,880,222</u>		

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2023

4. CAPITAL ASSETS

Capital assets activity for the District for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Non-Depreciable Capital Assets:					
Land	\$ 702,962	\$ -	\$ -	\$ -	\$ 702,962
Easements	92,419	-	-	-	92,419
Construction in Progress	9,334,385	2,427,784	(8,719,037)	-	3,043,132
Total non-depreciable capital assets	10,129,766	2,427,784	(8,719,037)	-	3,838,513
Depreciable capital assets:					
Infrastructure	39,253,006	-	8,719,037	-	47,972,043
Less accumulated depreciation:					
Infrastructure	(14,131,962)	(973,569)	-	-	(15,105,531)
Depreciable capital assets, net	25,121,044	(973,569)	8,719,037	-	32,866,512
Total Capital Assets, net	\$ 35,250,810	\$ 1,454,215	\$ -	\$ -	\$ 36,705,025

Construction in process additions for the year ended June 30, 2023 primarily represents work performed on the Millbrae and Burlingame Shoreline Area Protection and Enhancement project.

5. LONG TERM LIABILITIES

The District's long-term liabilities as of June 30, 2023 are as follows:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Amounts Due Within 1 Year
Revenue refunding bonds	\$ 14,675,000	\$ -	\$ (785,000)	\$ 13,890,000	\$ 825,000
Add: unamortized premium	1,839,904	-	(140,630)	1,699,274	140,630
Revenue refunding bonds, net	16,514,904	-	(925,630)	15,589,274	965,630
Accrued vacation leave	45,333	33,114	(33,527)	44,920	36,461
Total Governmental Activities	\$ 16,560,237	\$ 33,114	\$ (959,157)	\$ 15,634,194	\$ 1,002,091

(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.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2023

5. LONG TERM LIABILITIES (Continued)

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.

The District's long-term debt as of June 30, 2023 are as follows:

<u>Type of Indebtedness</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2023</u>
2015 Revenue Refunding Bonds:					
Serial current interest bonds	8/1/23 - 8/1/35	5.00%	\$825,000 - \$1,410,000	\$18,725,000	\$13,890,000

Annual debt service requirements for the governmental activities of the District as of June 30, 2023 are summarized as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Revenue Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 825,000	\$ 673,875
2025	865,000	631,625
2026	910,000	587,250
2027	950,000	540,750
2028	1,000,000	492,000
2029-2033	5,810,000	1,636,250
2034-2036	3,530,000	236,250
Total	<u>\$ 13,890,000</u>	<u>\$ 4,798,000</u>

(b) Accrued Vacation and 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 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. 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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2023

6. LEASE

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rent paid for this lease was \$106,461 for the year ended June 30, 2023. The lease expires on February 29, 2024.

7. REVENUES

(a) County Contributions

Pursuant to the resolution approved by the County Board on January 29, 2019, the County is 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, 2023, the County made contributions of \$900,000 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 \$7,268,967 for the year ended June 30, 2023.

(c) Capital Grant Contributions

The District also receives one-time capital grant contributions for specific projects. For the year ended June 30, 2023, the District incurred capital project costs on the Bayfront Canal Atherton Capital Project and Burlingame-Millbrae SFO Shoreline Capital Project.

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 external 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, 2023

8. FUND BALANCE (Continued)

(d) **Unassigned Fund Balance** – includes the residual classification that includes all amounts not contained in other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

9. INTERFUND BALANCES AND TRANSFERS

The District's Burlingame-Millbrae SFO Shoreline Capital Project Fund expended more funds than its available cash as of June 30, 2023, which resulted in a negative cash balance and required short-term borrowing from the District's general fund in the amount of \$451,662. The District's Burlingame-Millbrae SFO Shoreline 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, 2023, the Colma Creek Flood Control fund made a transfer of \$1,499,125 to the Debt Service fund for the purpose of financing debt service obligations.

10. 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 was an additional insured on the County of San Mateo's excess liability insurance coverage for the year ended June 30, 2022. Effective July 1, 2022, the District was covered under AWCA JPIA Liability and Property Program. County Counsel provides legal representation for any claims or litigation of the District. 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, 2024. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

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, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
County contributions	\$ 600,000	\$ 600,000	\$ 900,000	\$ 300,000
Intergovernmental revenues	1,550,700	1,550,700	460,703	(1,089,997)
Interest and investment income (loss)	9,560	9,560	10,052	492
Total Revenues	<u>2,160,260</u>	<u>2,160,260</u>	<u>1,370,755</u>	<u>(789,505)</u>
Expenditures				
Current:				
Salaries and benefits	\$ 1,062,139	\$ 1,062,139	\$ 743,648	\$ 318,491
Services and supplies	504,042	504,042	358,810	145,232
Capital outlay	155,000	155,000	100,949	54,051
Total Expenditures	<u>1,721,181</u>	<u>1,721,181</u>	<u>1,203,407</u>	<u>517,774</u>
Net Change in Fund Balance	<u>\$ 439,079</u>	<u>\$ 439,079</u>	167,348	<u>\$ (271,731)</u>
Budgetary Fund Balance - Beginning			2,636,411	
Budgetary Fund Balance - Ending			<u>\$ 2,803,759</u>	
Other financing sources				
Operating transfers in			<u>60,000</u>	
GAAP Fund Balance			<u>\$ 2,863,759</u>	

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, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
Property taxes	\$ 4,262,403	\$ 4,262,403	\$ 6,240,996	\$ 1,978,593
Intergovernmental revenues	-	-	85,659	85,659
Interest and investment income (loss)	14,384	14,384	90,185	75,801
Other	10,746	10,746	10,827	81
Total Revenues	<u>4,287,533</u>	<u>4,287,533</u>	<u>6,427,667</u>	<u>2,140,134</u>
Expenditures				
Current:				
Services and supplies	\$ 1,954,635	\$ 1,954,635	\$ 207,565	\$ 1,747,070
Capital outlay	350,000	350,000	457,275	(107,275)
Total Expenditures	<u>2,304,635</u>	<u>2,304,635</u>	<u>664,840</u>	<u>1,639,795</u>
Net Change in Fund Balance	<u>\$ 1,982,898</u>	<u>\$ 1,982,898</u>	5,762,827	<u>\$ 3,779,929</u>
Budgetary Fund Balance - Beginning			<u>30,512,006</u>	
Budgetary Fund Balance - Ending			<u>36,274,833</u>	
Other financing uses				
Operating transfers in			-	
Operating transfers out			<u>(1,549,225)</u>	
Total other financing sources			<u>(1,549,225)</u>	
GAAP Fund Balance			<u>\$ 34,725,608</u>	

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, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
Property taxes	\$ 351,594	\$ 351,594	\$ 482,552	\$ 130,958
Interest and investment income (loss)	3,848	3,848	5,782	1,934
Total Revenues	<u>355,442</u>	<u>355,442</u>	<u>488,334</u>	<u>132,892</u>
Expenditures				
Services and supplies	\$ 695,734	\$ 695,734	\$ 298,358	\$ 397,376
Capital outlay	-	-	273,417	(273,417)
Total Expenditures	<u>695,734</u>	<u>695,734</u>	<u>571,775</u>	<u>123,959</u>
Net Change in Fund Balance	<u>\$ (340,292)</u>	<u>\$ (340,292)</u>	(83,441)	<u>\$ 256,851</u>
Budgetary Fund Balance - Beginning			3,404,121	
Budgetary Fund Balance - Ending			<u>\$ 3,320,680</u>	
Other financing uses				
Operating transfers in			-	
Operating transfers out			(4,400)	
Total other financing sources			<u>(4,400)</u>	
Excess (deficiency) of revenues and other source over expenditures			<u>\$ 3,316,280</u>	

SAN MATEO
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2023

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, 2023.

2. EXPENDITURES LESS THAN BUDGET

The District had many areas of operations for the year ended June 30, 2023 where actual expenditures were below budgeted amounts. In the case of Colma Flood Zone, City of South San Francisco is updating its land use plans and zoning, before OneShoreline moved forward with any new projects. In the case of San Bruno Flood Zone, OneShoreline is studying the existing infrastructure to determine which infrastructure needs to be replaced to accommodate climate threats.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,317,853	\$ 480,926	\$ 1,798,779
Receivables			
Taxes receivable	1,155	54	1,209
Interest receivable	6,765	2,490	9,255
Total Assets	<u>\$ 1,325,773</u>	<u>\$ 483,470</u>	<u>\$ 1,809,243</u>
Liabilities			
Accounts payable	<u>\$ 17,531</u>	<u>\$ 67</u>	<u>\$ 17,598</u>
Fund Balances			
Assigned	<u>1,308,242</u>	<u>483,403</u>	<u>1,791,645</u>
Total Liabilities and Fund Balances	<u>\$ 1,325,773</u>	<u>\$ 483,470</u>	<u>\$ 1,809,243</u>

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

	San Francisco Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	Total Nonmajor Governmental Funds
Revenues			
Property tax	\$ 521,900	\$ 23,519	\$ 545,419
Interest and investment loss	4,349	1,158	5,507
Total Revenues	<u>526,249</u>	<u>24,677</u>	<u>550,926</u>
Expenditures			
Services and supplies	440,408	637	441,045
Total Expenditures	<u>440,408</u>	<u>637</u>	<u>441,045</u>
Other Financing Sources (Uses)			
Transfers Out	(5,300)	(200)	(5,500)
Total Expenditures	<u>(5,300)</u>	<u>(200)</u>	<u>(5,500)</u>
Net Change in Fund Balances	80,541	23,840	104,381
Fund Balances - Beginning	<u>1,227,701</u>	<u>459,563</u>	<u>1,687,264</u>
Fund Balances - Ending	<u><u>\$ 1,308,242</u></u>	<u><u>\$ 483,403</u></u>	<u><u>\$ 1,791,645</u></u>

**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 (*Government Auditing Standards*), 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, 2023, 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 3, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

Macias Gini & O'Connell LLP

Walnut Creek, California

November 3, 2023