

Board of Directors Finance Committee Meeting

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

To join the meeting by video, click on:

<https://oneshoreline-org.zoom.us/j/86986932505?pwd=9BYtTKGQY0C3kHaNINXxyuPeQqAxxK.1>

To join the meeting by phone, call: 669-444-9171, Meeting ID: 869 8693 2505 , Passcode: 334581

AGENDA **November 18, 2025** **3:00 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 July 1, 2024 – June 30, 2025 Fiscal Year (attached)
- B. With the District's investment advisor, discuss the recent performance of District *

5. Adjournment

* There is no written staff report for this item

Meeting information, 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 a 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.

San Mateo County Flood and Sea Level Rise Resiliency District

November 18, 2025 Draft

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

For the Year Ended June 30, 2025

San Mateo, California

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
For the Year Ended June 30, 2025**

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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
 COMMENDS 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 15, 2020



DAVE PINE



MURREN SLOCUM, PRESIDENT



DON HORSLEY



CAROLE GROOM



DAVID J. CANEPA



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 challenges 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

FY2024-2025

Board of Directors



Debbie Ruddock, Chair
Coastside



Lisa Gauthier, Vice Chair
San Mateo County At-
Large



Marie Chuang
San Mateo County
Cities At-Large



Donna Colson
Northern San Mateo
County Cities



Kaia Eakin
South San Mateo
County Cities



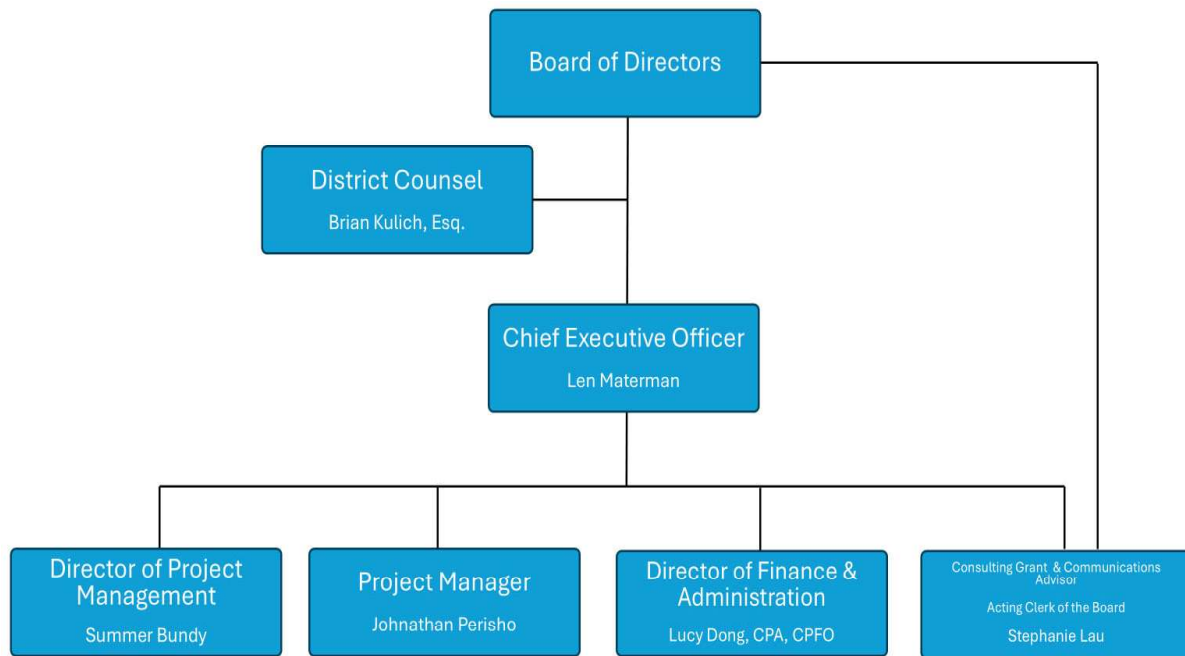
Adam Rak
Central San Mateo
County Cities



Ray Mueller
San Mateo County
District 3

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, 2025, 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, 2025, 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 October 30, 2025 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 É O'Connell LAP

Walnut Creek, California
October 30, 2025

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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, 2025

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, 2025. 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, 2025 by \$81.4 million (net position):

District's Net Position	
June 30, 2025	
Assets:	
Current and other assets	\$ 60,612,057
Capital assets	36,461,593
Total assets	97,073,650
Liabilities:	
Long-term liabilities	13,668,898
Other liabilities	2,016,809
Total liabilities	15,685,707
Deferred inflows of resources	26,359
Net position:	
Net investment in capital assets	22,518,430
Restricted	84
Unrestricted	58,843,070
Total net position	\$ 81,361,584

The District’s net position at June 30, 2025 is subdivided into the following components:

- \$22.5 million represents the District’s investment in capital assets (*net investment in capital assets*). This is comprised of the net book value of capital assets at June 30, 2025 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.
- \$84 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*).
- \$58.8 million is available to fund District’s programs for citizens and debt obligations to creditors (*unrestricted net position*).

The District held \$97.1 million in total assets at June 30, 2025 which were subdivided into the following components:

- \$60.6 million in current and other assets, which are comprised of \$59.3 million in cash and cash equivalents, \$1.2 million in receivables and \$26 thousand in prepaid expenses.

San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2025

- \$36.5 million in capital assets, net of accumulated depreciation.

The District held \$15.7 million in total liabilities at June 30, 2025 which were subdivided into the following components:

- \$13.7 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, 2025.
- \$0.6 million in accounts payable.
- \$1.2 million in unearned revenue.
- \$0.3 million in accrued interest payable.

Fund Financial Position

The District’s governmental funds reported combined fund balances of \$58.5 million at June 30, 2025. \$59 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, 2025:

District's Fund Balance	
June 30, 2025	
Nonspendable	\$ 25,508
Restricted	84
Assigned	59,010,930
Unassigned	(531,245)
Total fund balance	\$ 58,505,277

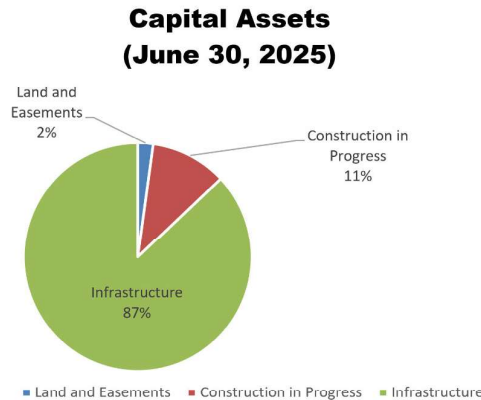
Capital Assets and Debt Administration

The District’s capital assets balance was reported at \$36.5 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District’s capital assets as of June 30, 2025 are comprised of the following:

Capital Assets	
Net of Accumulated Depreciation	
Land	\$ 702,962
Easements	92,419
Construction in progress	3,931,514
Infrastructure, net	31,734,698
Total capital assets, net	\$ 36,461,593

**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, 2025**

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 \$13.7 million as of June 30, 2025, 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	\$ 12,200,000
2015 Revenue refunding bonds - premium	1,418,013
Accrued vacation leave	50,885
Total long term obligations	\$ 13,668,898

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.

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

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, 2025

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 25-26 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 nine 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 27–30 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, 2025

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 31 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, 2025				
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Difference (\$)</u>	<u>Difference (%)</u>
Assets:				
Current and other assets	\$ 60,612,057	\$ 52,274,472	\$ 8,337,585	15.95%
Capital assets, net	<u>36,461,593</u>	<u>35,747,790</u>	<u>713,803</u>	2.00%
Total assets	<u>97,073,650</u>	<u>88,022,262</u>	<u>9,051,388</u>	
Liabilities:				
Long-term liabilities	13,668,898	14,664,899	(996,001)	-6.79%
Other liabilities	<u>2,016,809</u>	<u>1,946,073</u>	<u>70,736</u>	3.63%
Total liabilities	<u>15,685,707</u>	<u>16,610,972</u>	<u>(925,265)</u>	
Deferred inflows of resources	<u>26,359</u>	<u>28,973</u>	<u>(2,614)</u>	-9.02%
Net position:				
Net investment in capital assets	22,518,430	20,961,453	1,556,977	7.43%
Restricted	84	80	4	5.00%
Unrestricted	<u>58,843,070</u>	<u>50,420,784</u>	<u>8,422,286</u>	16.70%
Total net position	<u>\$ 81,361,584</u>	<u>\$ 71,382,317</u>	<u>\$ 9,979,267</u>	

The District’s current assets increased by \$8.3 million. This was primarily a result of increasing property tax apportionments from the County of San Mateo for the year ended June 30, 2025 in comparison with the year ended June 30, 2024.

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, 2025

Assets

- *Cash and cash equivalents* were reported at \$59.3 million as of June 30, 2025. \$31.8 million was deposited in the District's US Bank Custodial Account, \$0.8 million was deposited in District's Wells Fargo Bank Account, \$26.8 million was deposited in the District's Local Agency Investment Fund Account.
- *Interest receivable* was reported at \$0.5 million at June 30, 2025 and represents proportionate interest earned at the end of June 30, 2025 that is expected to be collected within 15 days after the fiscal year end.
- *Taxes receivable* were reported at \$0.1 million as of June 30, 2025 and represents the property tax that was earned at the end of June 30, 2025 and will be distributed within 60 days after fiscal year end.
- *Intergovernmental receivable* was reported at \$0.6 million at June 30, 2025, and represents the District's grant awards earned but not yet paid by the granting agencies as of June 30, 2025.
- *Prepaid expenses* were reported at \$26 thousand at June 30, 2025 and includes the District's prepaid health and liability insurance premium and unamortized prepaid insurance for bond issuance.
- *Capital assets* amounted to \$36.4 million, net of accumulated depreciation, and are broken down further in the tables under note 4.

Liabilities

- *Accounts Payable* was reported at \$0.6 million as of June 30, 2025 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 \$1.2 million as of June 30, 2025 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, 2025 and represents the amount of interest that the District has incurred as of June 30, 2025, on the 2015 Colma Creek revenue refunding bonds but which has not yet been paid out.
- *Long-term obligations* were reported to \$13.7 million as of June 30, 2025 and are further broken down in the table under note 5. The District has \$0.9 million in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$11.3 million in debt service principal payments due beyond one year on the same bonds. The District has \$1.4 million in unamortized bond premiums as of June 30, 2025, of which \$0.1 million will be amortized within one year. Additionally, \$51 thousand is reported for the District's accrued vacation and leave, of which \$44 thousand is estimated to be due within one year.

Deferred inflows of resources were reported at \$26 thousand at June 30, 2025 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, 2025

The District’s activities and changes in net position for the year ended June 30, 2025 are summarized as follows:

District's Changes in Net Position				
Year Ended June 30, 2025				
	<u>FY 2025</u>	<u>FY 2024</u>	<u>Difference (\$)</u>	<u>Difference (%)</u>
Program expenses:				
Public protection	\$ 2,784,951	\$ 3,243,637	\$ (458,686)	-14.14%
Depreciation expense	998,315	990,176	8,139	0.82%
Interest on long-term liabilities	470,359	513,444	(43,085)	-8.39%
Total program expenses	<u>4,253,625</u>	<u>4,747,257</u>	<u>(493,632)</u>	
Program revenues:				
Operating grants and contributions	2,509,272	1,482,148	1,027,124	69.30%
Capital grants and contributions	189,060	535,992	(346,932)	-64.73%
Total program revenues	<u>2,698,332</u>	<u>2,018,140</u>	<u>680,192</u>	
General revenues:				
Property tax	8,367,818	7,942,868	424,950	5.35%
Interest and investment income	3,083,403	2,051,294	1,032,109	50.32%
Other	83,339	25,676	57,663	224.58%
Total general revenues	<u>11,534,560</u>	<u>10,019,838</u>	<u>1,514,722</u>	
Changes in net position	9,979,267	7,290,721	2,688,546	36.88%
Net position - beginning:	<u>71,382,317</u>	<u>64,091,596</u>	<u>7,290,721</u>	
Net position - ending	<u>\$ 81,361,584</u>	<u>\$ 71,382,317</u>	<u>\$ 9,979,267</u>	

Analysis of Governmental Activities - Revenues and Expenses

The District’s net position increased by \$10 million for the year ended June 30, 2025. The District’s project costs are expected to gradually increase in future years as more projects will move to planning, design, operation, and maintenance. For the year ended June 30, 2025, the District’s costs are still outweighed by its annual revenues for property tax and contributions by \$10 million. In particular, the District’s property tax revenues from the County increased by \$0.4 million, the District’s investment income increased by \$1.0 million, the District’s operating and capital grants increased by \$0.7 million, and the District incurred \$0.5 million less in costs for public protection activities as a result of 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, 2024 and the year ended June 30, 2025:

- 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, 2025, to report decreasing capital project activities. The fund reported total revenues and expenditures of \$90 thousand for project costs incurred through the balance sheet date.
- The District had the Burlingame-Millbrae SFO Shoreline Capital Project fund for the financial reporting period ended June 30, 2025, to report capital project activities. The fund has incurred capital outlay in the amount of \$0.7 million for the year ended June 30, 2025. Future years are expected to reflect increased activities for this fund.
- The District had the Early Flood Warning System Capital Project fund for the financial reporting period ended June 30, 2025, to report capital project activities. The fund has incurred capital outlay in the amount of 0.2 million for the year ended June 30, 2025. Future years are expected to reflect increased activities for this fund.

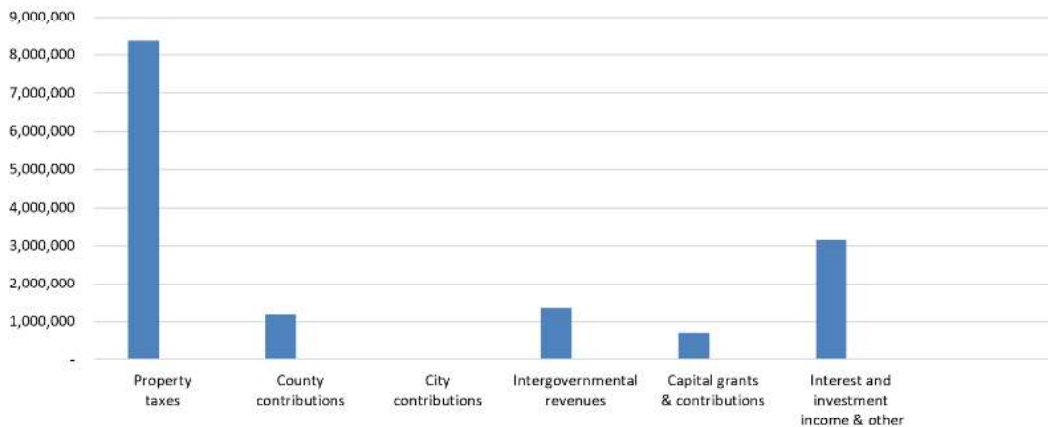
**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2025**

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 \$1.1 million, \$0.4 million and \$0.6 million respectively. This favorable variance was mainly due to a lower-than-anticipated volume of expenditures for services and supplies connected to project activities for the year ended June 30, 2025. While the District is steadily expanding its operations and expects annual expenditure increase, costs of FY2024-25 did not reach the level projected during the budget forecasting process.

Governmental Activities - Revenues

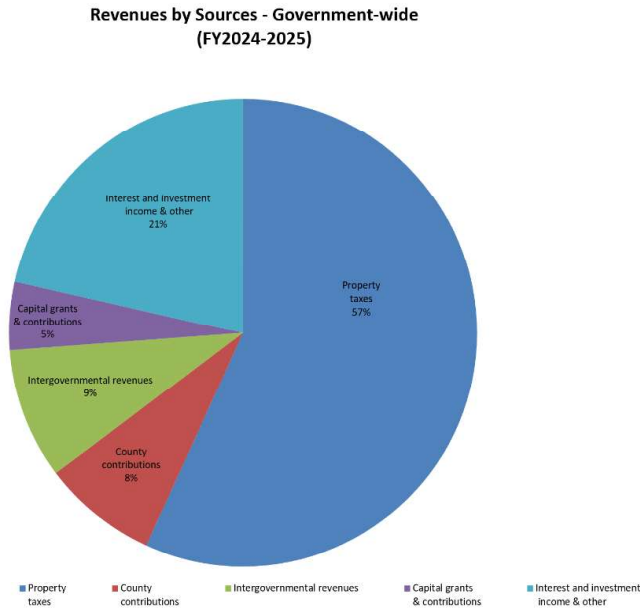
**Revenues by Sources - Government-wide
(FY2024-2025)**



Program Revenues accounted for 19% of the District’s overall governmental activities revenues. Program revenues amounted to \$2.7 million for the year ended June 30, 2025. This included \$1.5 million in capital and operating grants supporting the District’s projects and \$1.2 million in Measure K grant contributions from the County of San Mateo.

**San Mateo County Flood and Sea Level Rise Resiliency District
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The District’s revenues for the fiscal year ended June 30, 2025 are comprised of and distributed as follows:



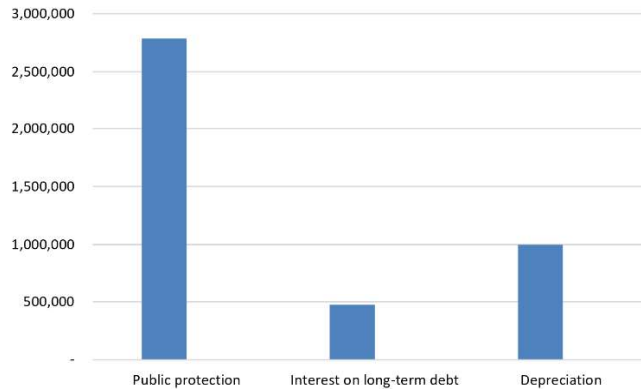
General Revenues were reported at \$11.5 million and accounted for 81% of the District’s overall governmental activities revenues. General Revenues primarily consisted of the following:

- *Property Tax Revenues* were reported at \$8.4 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 \$3.1 million.

**San Mateo County Flood and Sea Level Rise Resiliency District
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For the Fiscal Year Ended June 30, 2025**

Governmental Activities - Expenses

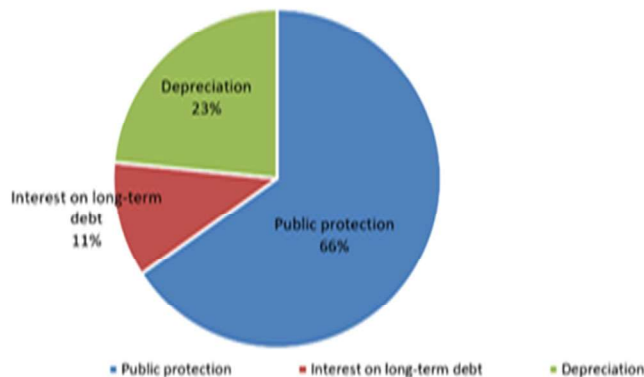
**Governmental Activities
Expense by Function/Program
(FY2024-2025)**



- **Expenses for *Public Protection*** accounted for 65.5% of the District’s overall governmental activities expenses. Public protection expenses were reported at \$2.8 million for the year ended June 30, 2025, \$2.0 million of this was costs of services and supplies, \$0.7 million was costs of salaries and benefits and \$106 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 \$0.47 million and accounted for 11% 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, 2025 and amounted to \$1.0 million, or 23.5% of the District’s overall governmental expenses.

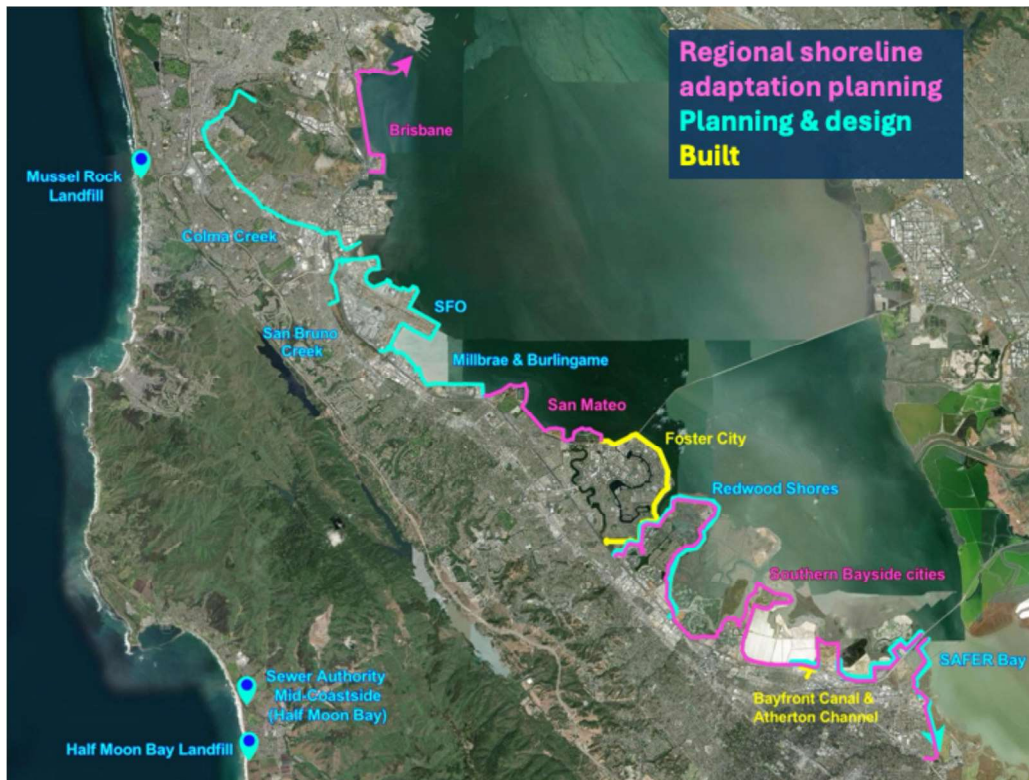
The District’s expenses for the fiscal year ended June 30, 2025 are comprised of and distributed as follows:

**Governmental Activities
Expense by Function/Program
(FY2024-2025)**



**San Mateo County Flood and Sea Level Rise Resiliency District
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For the Fiscal Year Ended June 30, 2025**

The map below highlights the locations of several of the projects around San Mateo County that the District (also known as OneShoreline) either leads, supports, or has sought funding to initiate. The following pages describe a subset of these projects in greater detail; more information may be found at [OneShoreline.org/Projects](https://www.oneshoreline.org/Projects). OneShoreline’s related work to provide guidance for how to incorporate climate change into the planning of land use and public infrastructure can be found at [OneShoreline.org/Planning-Guidance](https://www.oneshoreline.org/Planning-Guidance).



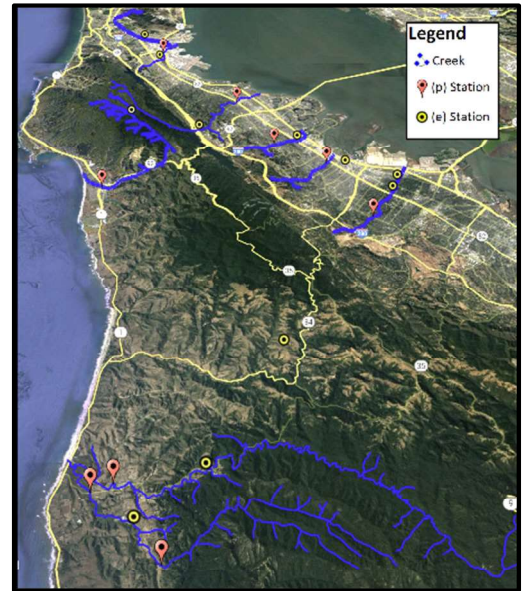
Accomplishments in FY 2024-25

OneShoreline Flood Early Warning System

OneShoreline continues to operate, maintain, and expand the countywide Flood Early Warning System: an integrated network of stream, precipitation, and tide gauges located to monitor flood risk in real time.

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This system provides two major functions: an alert system, and data collection to proactively plan and implement projects. The System’s website, accessible to emergency responders and the public at OneShoreline.org/flood-warning, includes a map of most of the 33 stream, precipitation, and tide gauges we rely on, as well as dashboards with easily digestible information for four flood-prone waterways: [Atherton Channel](#), [Belmont Creek](#), [San Bruno Creek](#), and [Colma Creek](#). During the fiscal year, OneShoreline updated the distribution list for flood alerts to include additional staff from the County Department of Emergency Management (DEM) and City Public Works departments.



In FY 2024-25, the system was expanded to include a new signal repeater at San Bruno Mountain to improve signal strength and support a newly installed stream gauge on Green Hills Creek in Millbrae, which was completed in early 2025. Planning was underway for the July 2025 installation of facilities at Skylawn Memorial Park along Highway 92, which will enable a system extension to parts of the unincorporated County and the City of Half Moon Bay. Additional planning continued for new stream gauges at Pilarcitos Creek and Atherton Channel near Alameda de las Pulgas.

Bayside Creek Routine Maintenance Program

In late December 2022 and early January 2023, and to a lesser but still significant degree during other periods in the 5½ years since OneShoreline was established, major storms caused substantial flooding along several San Mateo County Bayside creeks.



As OneShoreline staff provided regional jurisdictional support in post-storm clean-ups and emergency flood mitigation activities, a pattern emerged: creek flooding was often caused by limited capacity, driven in part by significant sediment and vegetation buildup. Addressing these conditions is inherently complex, as creeks cross multiple city and county jurisdictions with overlapping maintenance responsibilities. Moreover, environmental regulatory agencies prefer and encourage countywide maintenance permits, led by a single coordinating agency, to enable consistent debris removal and flood protection activities across jurisdictions.

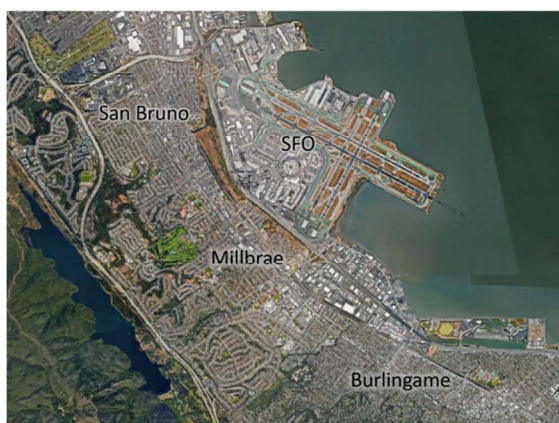
At the June 26, 2023 Board meeting, staff were authorized to engage a consultant to assist in obtaining the environmental documentation and permits necessary to implement a OneShoreline five-year stream routine maintenance program, which will remove debris along flood-prone reaches of four creeks. On June 24, 2024, the Board passed a resolution to approve the Initial Study/Mitigated Negative Declaration for the

**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, 2025**

Routine Maintenance on Bayside Creeks Project. Throughout FY2024–25, OneShoreline’s staff and consultants continued working to secure necessary permits, plan appropriate mitigation measures, and coordinate with local jurisdictions to plan debris removal activities when permits are finalized for five locations on four creeks: San Bruno Creek, Belmont Creek, Cordilleras Creek, and Atherton Channel. Sediment removal work is anticipated to begin in Fall 2025 and continue over the 5-year life of the permits.

Millbrae and Burlingame Shoreline Resilience Project (MBSRP)

The cities of Millbrae and Burlingame along San Mateo County’s Bay shoreline include very low-lying and densely developed lands. The San Francisco International Airport (SFO) is to the north of Millbrae, which is immediately north of Burlingame.



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

1. Flooding from San Francisco Bay 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 wastewater treatment plants, U.S. Highway 101, a rail corridor and intermodal transportation center, and electrical distribution facilities valued at several billion dollars and providing thousands of jobs. In addition, public access along the Bay shoreline in the project area is limited. Where segments of the San Francisco Bay Trail exist, there are sections with unsafe and degraded trail conditions that will exacerbate with sea level rise. There are also multiple critical gaps in the Bay Trail throughout the project area. Furthermore, much of the project area was created using Bay fill, and historical tidal marshes were mostly lost. With sea level rise, the remaining beaches and marshes will be lost to open water if no project is completed.

To advance adaptation planning and implementation in this critical area, OneShoreline has developed a large regional shoreline project aimed at achieving long-term climate resilience against sea level rise and extreme storms for developed, natural, and public access areas. Following the committing of \$4 million in

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
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For the Fiscal Year Ended June 30, 2025**

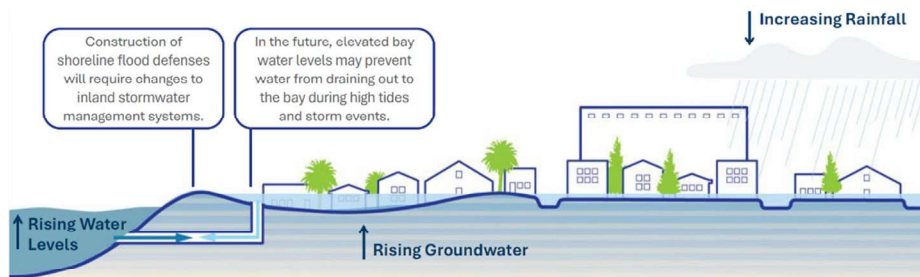
State funding to jump-start the project in 2022, during FY2024-25, OneShoreline achieved the following project milestones:

- In the summer of 2024, OneShoreline’s engineering consultant developed three updated project alternatives informed by feedback received following release of the Notice of Preparation (NOP) for an Environmental Impact Report (EIR) in 2023. A [summary of engagement](#) was prepared in July 2024.
- In August 2024, OneShoreline’s outreach consultant completed a Project Outreach and Engagement Plan for soliciting feedback on the updated project alternatives from project partners, landowners, permitting agencies, and the broader public. In Fall 2024, OneShoreline held four community meetings to share the updated project alternatives and collect input. An intercept survey of waterfront users was done in February 2025. In addition, meetings with staff from the City of Burlingame and SFO, as well as with major landowners in the project area, took place throughout FY 2024-25. The [Fall 2024 Engagement Summary](#) documented community and stakeholder feedback on the three preliminary shoreline adaptation alternatives and the proposed evaluation criteria used to compare them.
- Throughout 2025, OneShoreline’s engineering consultant refined the project framework and alternatives based on input from stakeholders and the community, developed preliminary design plans, and initiated preparation of the Draft EIR. The conceptual design includes various coastal protection features (e.g., raised parks and trails, seawalls, levees, tide gates) that incorporate nature-based solutions (e.g., rocky intertidal habitat, coarse beaches) to the extent feasible.

In FY 2025-26, OneShoreline will finalize the 30% design for the preferred project, complete regulatory and other stakeholder consultations, and complete a public draft EIR, which is scheduled for release of the draft EIR is scheduled for Spring 2026. During this period, OneShoreline will also plan and conduct community and stakeholder engagement activities to inform the EIR process, share project updates, and gather input on design and phasing.

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

Building upon its [Planning Policy Guidance](#) focused on private development (adopted by the Board in June 2023), in FY2024–25, OneShoreline continued work to develop countywide guidance for the critical task



of integrating climate risks into the planning and design of public infrastructure. This new document is tentatively titled OneShoreline’s Guidance for Resilient Public Infrastructure. Like private development, the public infrastructure that our communities rely upon must also be resilient to future conditions driven by extreme precipitation, coastal erosion, sea level rise, and rising shallow groundwater.

San Mateo County Flood and Sea Level Rise Resiliency District
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OneShoreline’s forthcoming Public Infrastructure Guidance will provide reasonable, clear, and specific process and design guidance for San Mateo County, its twenty cities and towns, and local asset owners and service providers to help them account for climate hazards in the policies and processes used to plan, site, design, and approve critical infrastructure. The first draft of the Public Infrastructure Guidance will focus on three infrastructure types: stormwater conveyance and retention systems, wastewater and water recycling systems, and roadways. During FY2024-25, OneShoreline completed the following project milestones:

- In February 2025, the consultant team completed a draft chapter of the Public Infrastructure Guidance on the best available science for current and future climate change-related flood hazards in San Mateo County. This included developing updated Intensity-Duration-Frequency (IDF) curves for San Mateo County to reflect projected changes in extreme precipitation.
- In May 2025, OneShoreline convened the first meeting of the stormwater, roads, and wastewater/recycled water Asset Advisory Groups (AAGs), which consist of staff leaders from city public works departments, county planning and sustainability departments, and asset operators to provide expert input into, and champion local implementation of, the Public Infrastructure Guidance. Members of the AAGs provided feedback on the draft chapter on flood hazards.

In FY2025–26, OneShoreline will work with its consultant team to complete an administrative draft for review by the AAGs and other stakeholders, followed by preparation of a public draft for broader review and feedback. Release of the public draft is scheduled in spring 2026.

Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project

The Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project has continued to provide relief to flood-prone communities. The Bayfront Canal and Atherton Channel drain portions of the cities of Menlo Park and Redwood City, Towns of Atherton and Woodside, and unincorporated San Mateo County into the San Francisco Bay through a tide gate structure owned and operated by Redwood City. This project has connected the Bayfront Canal and Atherton Channel to the Ravenswood Pond Complex, increasing capacity by over 160 acre-feet, while reducing potential flooding.



While in operation since 2022 the project was officially completed in December 2023 following the successful implementation of essential improvements to conveyance systems. Through a joint operations plan that establishes the roles and responsibilities for OneShoreline, the City of Redwood City, and U.S. Fish and Wildlife Service staff, collaborative members were on site throughout wet season storms to clean debris removed by the system's automatically operated trash racks, and to ensure the structure’s effectiveness for subsequent storms. Over the storms of late 2024 and early 2025, an estimated 150 acre-feet of runoff was treated and diverted, which resulted in less flooding of people and property than during previous, larger, storm events.

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OneShoreline continued to work with Redwood City to ensure the reliable operation of project infrastructure and have completed the first of five years of post-construction monitoring reports and mitigation activities.

Colma Creek

OneShoreline coordinates and facilitates management around Colma Creek through the Colma Creek Flood Zone (established in 1964 and inherited from the former San Mateo County Flood Control District). The Colma Creek Watershed spans approximately 16.6 square miles across San Bruno Mountain to Daly City, South San Francisco, Colma, Pacifica, and San Bruno down to the San Francisco Bay estuary. Characterized by steep coastal headwaters, urban areas, and tidal influence near the Bay, Colma Creek presents complex challenges for flood management and coastal resilience. The existing flood management facilities were designed for previous weather patterns and watershed development conditions. As storms increase in intensity, duration, and frequency due to climate change, along with substantial growth and redevelopment, this flood control infrastructure requires significant reassessments and upgrades. Updated policies and planning frameworks are also needed to guide these improvements, ensure consistent levels of protection across jurisdictions, and integrate flood management with climate adaptation and land use planning.

Routine Maintenance

Routine maintenance was completed on Colma Creek including 400 cubic yards of sediment dredged at Produce Avenue, 1,500 linear feet of targeted vegetation maintenance and debris removal in the vicinity of the Chestnut Avenue Bridge, concrete spalling repair, and exercising 32 flap gates between Spruce Avenue and Produce Avenue. Culvert repair and replacement work between Airport Boulevard and Utah Avenue was completed in October 2024 with punch list installations of gaskets deferred to the next work season fall 2025. In FY2025-26, to support timely implementation of maintenance and small-scale improvement projects, OneShoreline will hire Job Order Contract (JOC) contractors to provide on-call construction services for debris removal, vegetation management, and minor infrastructure repairs.

Planning and Design

In early 2025, OneShoreline staff completed the public procurement of consultants for two related efforts: the Colma Creek Watershed Plan and Lower Colma Creek Resilience Projects.

The [Colma Creek Watershed Plan](#) will serve as a blueprint to transform Colma Creek into a vital community asset nourished by a healthy watershed. The Watershed Plan will build on local plans and studies while advancing new strategies to address the pressing challenges of flooding and sea level rise. The work will identify and prioritize projects, programs, and policies that improve public health and safety, enhance habitat, improve water quality and supply, and expand public access and connection to the Creek, advancing ideas and priorities expressed by community members that result in actions that reflect regional needs and local aspirations.

San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
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For the Fiscal Year Ended June 30, 2025

The [Lower Colma Creek Resilience Projects](#) will reduce sea level rise and flooding risks, improve public safety, and expand public access along Colma Creek from San Mateo Avenue to Utah Avenue in South San Francisco. Infrastructure resilience planning will prioritize changes that improve flood management, support native species habitat, improve water quality, and provide opportunities for surrounding communities to recreate and connect with the Creek.

Both projects have begun; the Watershed Plan timeline is two years, and conceptual plans for the Lower Colma Creek Resilience Projects are expected to be completed by summer 2026. In FY 2025-26, OneShoreline will continue to advance these projects and engage partners, experts, and the broader public.

San Bruno Creek

The lower San Bruno Creek watershed is a highly urbanized, low-lying area shaped by extensive land use changes and complex, multi-jurisdictional infrastructure. Over the last century, these landscapes have been significantly altered by urbanization and infrastructure development, including Bay fill for the construction of Mills Field (now SFO), the installation of rail lines and highways, and the construction of flood control structures along San Bruno Creek. Established in 1967, the San Bruno Creek Flood Zone is one of four active flood zones that OneShoreline inherited from the former San Mateo County Flood Control District.

The Belle Air neighborhood, located in the lower San Bruno Creek watershed, has experienced repeated flooding over the past several decades. Its vulnerability stems from its low-lying topography, proximity to the Bay, sea level rise, storm surge, more extreme and frequent precipitation, and compounded by aging stormwater infrastructure designed for historical conditions. OneShoreline owns and operates two pump stations along San Bruno Creek as well as a tide gate structure at the Bay.

Routine Maintenance

During the 2024 seasonal work window, County Public Works, under contract to OneShoreline, completed routine maintenance of the “Cupid Row” reach of San Bruno Creek in coordination with San Francisco International Airport (SFO). In FY2025–26, OneShoreline will rehabilitate Pump #3 at the Walnut Pump Station, complete vegetation removal at the Angus Pump Station, and continue coordination with SFO on related flood resilience and maintenance activities.

To support timely implementation of maintenance and small-scale improvement projects, in FY2025–26 OneShoreline will hire Job Order Contract (JOC) contractors to provide on-call construction services for debris removal, vegetation management, and minor infrastructure repairs. OneShoreline will also retain a construction manager and a biological monitor to oversee field work, ensure environmental compliance, and maintain project quality. In addition, staff will continue conducting routine site walks and inspections to assess creek conditions, identify maintenance needs, and support the continued reliability of flood management infrastructure.

Planning and Design

In October 2024, OneShoreline finalized a grant agreement with the Federal Emergency Management Agency (FEMA) for the San Bruno Creek Resilience Project. This project includes data collection,

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, 2025

alternatives development and analysis, and advancement of a “first project” to 30% design, along with completion of environmental review under the California Environmental Quality Act (CEQA).

Throughout 2024 and 2025, OneShoreline’s consultant developed an updated hydrologic and hydraulic (H&H) model to reflect improved understanding of system vulnerabilities, analyze flooding under various scenarios, and evaluate potential flood mitigation approaches such as near-term repairs, stormwater detention basins, and levee and pump station concepts.

To advance project implementation, OneShoreline staff prepared a request for proposals (RFP) for the procurement of a consultant team to complete the San Bruno Creek Resilience Project, to be released in July 2025. This two-year project will include a Technical Advisory Committee (TAC) composed of representatives from the City of San Bruno, SFO, and the City of South San Francisco, with additional consultations involving SamTrans, Caltrans, PG&E, and the Bay Restoration Regulatory Integration Team (BRRIT) of state and federal permitting agencies.

Throughout 2024, OneShoreline and its outreach consultant, in partnership with community-based organizations and Stanford University researchers, conducted site walks and listening sessions in the Belle Air neighborhood to document residents’ experience with past flooding. The findings from these outreach efforts are summarized in [*Flooding in San Bruno, California: Community Insights from 2024*](#). In 2025, outreach activities will focus on gathering input to inform potential near-term resilience measures, including a potential Household Flood Supplies Pilot Program to provide resources to help residents reduce household flood risk.

FEMA National Flood Insurance Program Community Rating System (CRS)

On September 18, 2023, the Board authorized the CEO to execute a grant agreement with the County of San Mateo funded through Measure K, a half-cent sales tax approved by voters in 2016. One of the three specific efforts to be funded by this grant is to expand and maximize the benefits of the FEMA Community Rating System (“CRS”) for local jurisdictions throughout the county. The CRS program reduces the cost of flood insurance in communities that go beyond FEMA’s minimum floodplain management requirements. Only five of the 20 cities in San Mateo County, and San Mateo County itself, currently participate in the CRS program.

On August 7, 2024, OneShoreline contacted all 20 cities within San Mateo County and the County itself to offer support for developing FEMA CRS applications and maximizing the benefits of the CRS program. In 2024, OneShoreline and its CRS consultant discussed the program with 11 jurisdictions (Belmont, Burlingame, Daly City, East Palo Alto, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, Woodside, and San Mateo County) that responded to OneShoreline’s offer. OneShoreline also facilitated informational follow-up meetings, fielded questions, and shared training opportunities and general information with these jurisdictions, and our CRS consultant was in regular contact with the regional FEMA CRS Coordinator to facilitate this information exchange.

There has been ongoing suspension of training at the federal level, but OneShoreline’s CRS consultant is highly experienced and continues to offer appropriate training materials and guidance for jurisdictions. Five cities indicated interest in proceeding with applications and support for increased rankings. However, procedural hurdles, inconsistencies in official material availability, and uncertainties around upcoming

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, 2025

plans for major changes to the FEMA National Flood Insurance Program have presented challenges. OneShoreline continued to support the City of South San Francisco and Redwood City on necessary groundwork and CRS applications, and East Palo Alto on increasing their program score through their 2025 verification cycle visit. These efforts are already improving development review processes.

In FY 2025-26, OneShoreline and its consultant will continue to support cities in their CRS-related efforts.

Grant Funding

In 2023, the Legislature passed Senate Bill 272 (Laird), requiring coastal cities to adopt sea level rise adaptation plans by 2034. To support compliance, the Bay Conservation and Development Commission (BCDC) adopted the Regional Shoreline Adaptation Plan (RSAP) in December 2024, providing guidelines for cities to develop Subregional Shoreline Adaptation Plans. The RSAP draws heavily on OneShoreline's [*Planning Policy Guidance*](#) (adopted in June 2023). The California Ocean Protection Council's (OPC) Senate Bill 1 Sea Level Rise Adaptation Planning Grant Program provides funding for jurisdictions to complete RSAP-compliant plans.

Brisbane: On December 20, 2024, OneShoreline submitted a grant application to OPC to develop the *Brisbane Shoreline Resilience Plan* in collaboration with the City of Brisbane. After the initial application was not selected in January 2025, OneShoreline revised and resubmitted the proposal in March to address OPC's feedback and strengthen regional coordination. The resubmittal received strong letters of support from Brisbane, South San Francisco, Caltrans, the City and County of San Francisco, Senator Josh Becker, and Assemblymember Diane Papan. OPC formally approved \$750,000 in funding to OneShoreline on June 10, 2025. In Fall 2025, OneShoreline staff will finalize the grant's workplan with OPC, with project activities scheduled to begin in January 2026 and continue for two years.

Southern Bayside Cities: OneShoreline was approached by Redwood City staff about leading the development of a multi-jurisdictional shoreline adaptation plan for Redwood City, Belmont, San Carlos, Menlo Park, and East Palo Alto to meet SB 272 requirements. Following discussions in late 2024 and early 2025, all five cities confirmed participation in February 2025. OneShoreline staff prepared a grant application, which has broad support from the five cities, the Association of Ramaytush Ohlone, Caltrans, San Mateo County Airports, Port of Redwood City, San Francisquito Creek Joint Powers Authority, Senator Josh Becker, Assemblymember Diane Papan, and Save the Bay, to be submitted to OPC by the July 3, 2025 deadline. The proposed *San Mateo County Southern Bayside Cities Shoreline Resilience Plan* will build on prior efforts, including Redwood City's Sea Level Rise Vulnerability Study and the SAFER Bay project in Menlo Park and East Palo Alto, and aims to establish a coordinated regional strategy for shoreline adaptation, fully aligned with SB 272 and RSAP. OPC will notify OneShoreline of its funding decision in September 2025.

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BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 59,346,075
Interest receivable	502,841
Taxes receivable	136,187
Intergovernmental receivable	601,446
Prepaid expenses	25,508
Capital assets, net of accumulated depreciation	
Nondepreciable	4,726,895
Depreciable	31,734,698
Total Assets	97,073,650
Liabilities	
Accounts payable	605,014
Accrued interest	254,167
Unearned revenue	1,157,628
Long-term liabilities	
Revenue refunding bonds - due within one year	1,050,630
Revenue refunding bonds - due beyond one year	12,567,383
Accrued vacation and leave - due within one year	43,504
Accrued vacation and leave - due beyond one year	7,381
Total Liabilities	15,685,707
Deferred Inflows of Resources	26,359
Net Position	
Net investment in capital assets	22,518,430
Restricted for debt service	84
Unrestricted	58,843,070
Total net position	\$ 81,361,584

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, 2025**

	Governmental Activities
Program Expenses	
Public protection	\$ 2,784,951
Depreciation expense	998,315
Interest on long-term liabilities	470,359
Total Program Expenses	4,253,625
 Program Revenues	
Operating grants and contributions	2,509,272
Capital grants and contributions	189,060
Total Program Revenues	2,698,332
Net Program Revenues	(1,555,293)
 General Revenues	
Property tax	8,367,818
Interest and investment income (loss)	3,083,403
Other	83,339
Total General Revenues	11,534,560
Change in Net Position	9,979,267
Net Position - Beginning	71,382,317
Net Position - Ending	\$ 81,361,584

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, 2025

	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	Early Flood Warming System Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and investments	\$ 5,087,765	\$ 47,550,793	\$ 4,137,690	\$ 159,905	\$ -	\$ 128,088	\$ 84	\$ 2,281,750	\$ 59,346,075
Receivables:									
Taxes receivable	-	118,326	8,987	-	-	-	-	8,874	136,187
Grants receivable	382,422	-	-	-	219,024	-	-	-	601,446
Interest receivable	43,742	402,717	35,552	1,471	-	-	-	19,359	502,841
Dues from other funds	527,696	-	-	-	-	-	-	-	527,696
Other assets	16,874	-	-	-	-	-	8,634	-	25,508
Total Assets	\$ 6,058,499	\$ 48,071,836	\$ 4,182,229	\$ 161,376	\$ 219,024	\$ 128,088	\$ 8,718	\$ 2,309,983	\$ 61,139,753
Liabilities									
Accounts payable	\$ 69,307	\$ 247,802	\$ 74,649	\$ 8,062	\$ 153,684	\$ 51,286	\$ -	\$ 224	\$ 605,014
Unearned revenues	998,614	5,700	-	153,314	-	-	-	-	1,157,628
Dues to other funds	-	-	-	-	246,783	280,913	-	-	527,696
Total Liabilities	\$ 1,067,921	\$ 253,502	\$ 74,649	\$ 161,376	\$ 400,467	\$ 332,199	\$ -	\$ 224	\$ 2,290,338
Deferred Inflows of Resources	198,447	-	-	-	145,691	-	-	-	344,138
Fund Balances									
Nonspendable	16,874	-	-	-	-	-	8,634	-	25,508
Restricted	-	-	-	-	-	-	84	-	84
Assigned	4,775,257	47,818,334	4,107,580	-	-	-	-	2,309,759	59,010,930
Unassigned	-	-	-	-	(327,134)	(204,111)	-	-	(531,245)
Total Fund Balances	4,792,131	47,818,334	4,107,580	-	(327,134)	(204,111)	8,718	2,309,759	58,505,277
Total Liabilities and Fund Balances	\$ 6,058,499	\$ 48,071,836	\$ 4,182,229	\$ 161,376	\$ 219,024	\$ 128,088	\$ 8,718	\$ 2,309,983	\$ 61,139,753

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, 2025

Fund balances - total governmental funds	\$ 58,505,277
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.	344,138
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	36,461,593
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.	(254,167)
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.	(26,359)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue refunding bonds	(12,200,000)
Premium on revenue refunding bonds	(1,418,013)
Accrued vacation and leave	<u>(50,885)</u>
Net position of governmental activities	<u><u>\$ 81,361,584</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, 2025

	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	Early Flood Warning System Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues									
Property tax	\$ -	\$ 7,232,122	\$ 537,976	\$ -	\$ -	\$ -	\$ -	\$ 597,720	\$ 8,367,818
County contributions	1,175,000	-	-	-	-	-	-	-	1,175,000
Intergovernmental revenues	1,334,272	-	-	-	-	-	-	-	1,334,272
Capital grants and contributions	-	-	-	78,195	613,968	-	-	-	692,163
Interest and investment income (loss)	261,274	2,471,360	225,205	11,259	-	-	4	114,301	3,083,403
Other	3,700	79,639	-	-	-	-	-	-	83,339
Total Revenues	2,774,246	9,783,121	763,181	89,454	613,968	-	4	712,021	14,735,995
Expenditures									
Current:									
Salaries and benefits	683,673	-	-	-	-	-	-	-	683,673
Services and supplies	503,592	729,475	369,522	-	-	-	856	382,418	1,985,863
Capital outlay	-	847,182	-	89,454	677,156	204,111	-	-	1,817,903
Debt service - principal	-	-	-	-	-	-	865,000	-	865,000
Debt service - interest	-	-	-	-	-	-	631,625	-	631,625
Total Expenditures	1,187,265	1,576,657	369,522	89,454	677,156	204,111	1,497,481	382,418	5,984,064
Other Financing Sources (Uses):									
Transfers in	52,100	-	-	-	-	-	1,496,625	-	1,548,725
Transfers out	-	(1,531,625)	(10,000)	-	-	-	-	(7,100)	(1,548,725)
Total Other Financing Sources (Uses)	52,100	(1,531,625)	(10,000)	-	-	-	1,496,625	(7,100)	-
Net Change in Fund Balances	1,639,081	6,674,839	383,659	-	(63,188)	(204,111)	(852)	322,503	8,751,931
Fund Balances - Beginning	3,153,050	41,143,495	3,723,921	-	(263,946)	-	9,570	1,987,256	49,753,346
Fund Balances - Ending	\$ 4,792,131	\$ 47,818,334	\$ 4,107,580	\$ -	\$ (327,134)	\$ (204,111)	\$ 8,718	\$ 2,309,759	\$ 58,505,277

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, 2025**

Net change in fund balances - total governmental funds \$ 8,751,931

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	\$	1,817,903	
Less capital project fund soft costs reflected as capital outlay		(105,785)	
Less current year depreciation		(998,315)	713,803
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.			(503,103)
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			865,000
Change in accrued interest			18,021
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		140,631	
Amortization of deferred gain on refunding		2,614	
Change in accrued vacation leave		(9,630)	133,615
Change in net position of governmental activities			\$ 9,979,267

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, 2025

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, 2025

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 *Early Flood Warning System Capital Project Fund* accounts for funds that support significant capital project operations for the District. This fund is financed by Grants from San Mateo County Measure K fund and State of California Department of Water Resources.
- 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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District implemented the provisions of GASB Statements No. 101, *Compensated Absences*, for the year ended June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The District determined that the standard did not have a significant impact on financial reporting for the year ended June 30, 2025.

The District evaluated the provisions of GASB Statements No. 102, *Certain Risk Disclosures*, for the year ended June 30, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The District determined that the standard did not have a significant impact on financial reporting for the year ended June 30, 2025.

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 103, *Financial Reporting Model Improvements*, and No. 104, *Disclosure of Certain Capital Assets*.

(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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Compensated Absences

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.

(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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2025 consist of the following:

Investments with financial institutions	\$ 58,473,266
Deposits with financial institutions	<u>872,809</u>
Total cash and cash equivalents	<u><u>\$ 59,346,075</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, 2025, cash balances in bank were insured up to \$250,000 per insured bank by the Federal Depository Insurance Corporation. At June 30, 2025, the bank balance of \$298,653 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, 2025

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, 2025

3. CASH AND CASH EQUIVALENTS (Continued)

District Investments

As of June 30, 2025, 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	
Local Agency Investment Funds	N/A	\$ 26,771,754	\$ -	\$ 26,771,754
U.S. Treasury	AA+/Aaa	336,177	15,328,224	15,664,401
Corporate	A- to AAA / A1 to AA3	-	14,991,057	14,991,057
Foreign Issues	AA-/AA2	-	710,910	710,910
Municipal	AA-/AA2, AA3	34,818	300,326	335,144
Total Investments		\$ 27,142,749	\$ 31,330,517	\$ 58,473,266

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, 2025 was 570 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, 2025, the District’s investments in Federal Home Loan Mortgage Corporation comprised 12% of total investments.

Local Agency Investment Fund

As of June 30, 2025, the District’s investment in the Local Agency Investment Fund (LAIF) was \$26.8 million, and the total amount invested by all participating agencies in LAIF is \$24.5 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, 2025, the PMIA balance was \$179.2 billion, of which 3.81% in structured notes and asset backed securities. The average maturity of PMIA investments was 248 days as of June 30, 2025. LAIF is not rated by credit rating agencies.

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

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 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	\$ 15,664,401	\$ 15,664,401	\$ -
Medium Term notes	14,991,057	-	14,991,057
Foreign Issues	710,910	-	710,910
Municipal Notes	335,144	-	335,144
Total investments subject to fair value hierarchy	31,701,512	\$ 15,664,401	\$ 16,037,111
Investments not subject to fair value hierarchy:			
Local agency investment funds held by State Treasury	<u>\$ 26,771,754</u>		

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

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

4. CAPITAL ASSETS

Capital assets activity for the District for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Balance June 30, 2025
Non-Depreciable Capital Assets:			
Land	\$ 702,962	\$ -	\$ 702,962
Easements	92,419	-	92,419
Construction in Progress	2,490,288	1,441,226	3,931,514
Total non-depreciable capital assets	<u>3,285,669</u>	<u>1,441,226</u>	<u>4,726,895</u>
Depreciable capital assets:			
Infrastructure	48,557,828	270,892	48,828,720
Less accumulated depreciation:			
Infrastructure	(16,095,707)	(998,315)	(17,094,022)
Depreciable capital assets, net	<u>32,462,121</u>	<u>(727,423)</u>	<u>31,734,698</u>
Total Capital Assets, net	<u>\$ 35,747,790</u>	<u>\$ 713,803</u>	<u>\$ 36,461,593</u>

Construction in process additions for the year ended June 30, 2025 primarily represents work performed on the Colma Creek Flood Zone and Millbrae and Burlingame Shoreline Area Protection and Enhancement project.

5. LONG TERM LIABILITIES

The District's long-term liabilities as of June 30, 2025 are as follows:

	Balance 7/1/2024	Additions	Retirements	Balance 6/30/2025	Amounts Due Within 1 Year
Revenue refunding bonds	\$ 13,065,000	\$ -	\$ (865,000)	\$ 12,200,000	\$ 910,000
Add: unamortized premium	1,558,644	-	(140,631)	1,418,013	140,630
Revenue refunding bonds, net	14,623,644	-	(1,005,631)	13,618,013	1,050,630
Accrued vacation leave	41,255	9,630 *	-	50,885	43,504
Total Governmental Activities	<u>\$ 14,664,899</u>	<u>\$ 9,630</u>	<u>\$ (1,005,631)</u>	<u>\$ 13,668,898</u>	<u>\$ 1,094,134</u>

* The change in the compensated absences liability is presented as a net change.

(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, 2025

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, 2025 are as follows:

Type of Debt	Type of Indebtedness	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2025
2015 Revenue Refunding						
2015 Rev Bonds:						
	Serial current interest bonds	8/1/24 - 8/1/35	5.00%	\$865,000 - \$1,410,000	\$ 18,725,000	\$ 12,200,000

Annual debt service requirements for the governmental activities of the District as of June 30, 2025 are summarized as follows:

Fiscal Year Ended June 30,	Revenue Refunding Bonds	
	Principal	Interest
2026	\$ 910,000	\$ 587,250
2027	950,000	540,750
2028	1,000,000	492,000
2029	1,055,000	440,625
2030	1,105,000	386,625
2031-2035	6,405,000	1,025,875
2036	775,000	19,375
Total	\$ 12,200,000	\$ 3,492,500

(b) Compensated Absences

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 hours annually for the Executive Director and at a rate of 96 hours annually for other District employees for the first four years of employment with the District, and at a rate of 144 hours annually for other District employees after four years of employment with the District, with a cap of 220 hours. Additionally, the Executive Director earns management leave accrual at a rate of 40 hours annually.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2025

6. LEASE

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rent paid for this lease was \$103,968 for the year ended June 30, 2025. The lease is periodically extended through amendments to the original agreement and is currently set to expire at December 31, 2026.

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, 2025, the County made contributions of \$1,175,000 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 \$8,367,818 for the year ended June 30, 2025.

(c) Capital Grant Contributions

The District also receives capital grant contributions for specific projects. For the year ended June 30, 2025, the District incurred capital project costs on the Bayfront Canal Atherton Capital Project, Burlingame-Millbrae SFO Shoreline Capital Project and Early Flood Warning System 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, 2025

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.

The District's Burlingame-Millbrae SFO Shoreline Capital Project Fund and Early Flood Warning System Capital Project fund held deficit fund balances as of June 30, 2025. The fund deficits are due to timing difference in the receipt of external funding, which is anticipated to resolve the deficits upon collection. In the interim, the General Fund has provided coverage for these shortfalls pending the receipt of the external funds.

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, 2025, which resulted in a negative cash balance and required short-term borrowing from the District's general fund in the amount of \$246,783. 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.

The District's Early Flood Warning System Capital Project Fund expended more funds than its available cash as of June 30, 2025, which resulted in a negative cash balance and required short-term borrowing from the District's general fund in the amount of \$280,913. The District's Early Flood Warning System 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, 2025, the Colma Creek Flood Control fund made a transfer of \$1,496,625 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, 2026. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

11. SUBSEQUENT EVENT

On July 31, 2025, the District fully repaid its 2015 Revenue Refunding Bonds through its trustee, U.S. Bank. The total payment was \$12,505,000, including \$12,200,000 in principal and \$305,000 in accrued interest. This early repayment is projected to result in future interest cost savings of approximately \$3.2 million over the next 10 fiscal years. The funds for this early prepayment were drawn from LAIF and District's investment portfolio at U.S. Bank.

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
County contributions	\$ 875,000	\$ 875,000	\$ 1,175,000	\$ 300,000
Intergovernmental revenues	1,771,351	1,771,351	1,334,272	(437,079)
Interest and investment income	27,210	27,210	261,274	234,064
Other	52,300	52,300	3,700	(48,600)
Total Revenues	<u>2,725,861</u>	<u>2,725,861</u>	<u>2,774,246</u>	<u>48,385</u>
Expenditures				
Current:				
Salaries and benefits	\$ 1,011,281	\$ 1,011,281	\$ 683,673	\$ 327,608
Services and supplies	1,317,781	1,317,781	503,592	814,189
Total Expenditures	<u>2,329,062</u>	<u>2,329,062</u>	<u>1,187,265</u>	<u>1,141,797</u>
Net Change in Fund Balance	<u>\$ 396,799</u>	<u>\$ 396,799</u>	1,586,981	<u>\$ 1,190,182</u>
Budgetary Fund Balance - Beginning			<u>3,153,050</u>	
Budgetary Fund Balance - Ending			<u>\$ 4,740,031</u>	
Other financing sources				
Operating transfers in			<u>52,100</u>	
GAAP Fund Balance			<u>\$ 4,792,131</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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
Property taxes	\$ 5,389,371	\$ 5,389,371	\$ 7,232,122	\$ 1,842,751
Interest and investment income (loss)	236,453	236,453	2,471,360	2,234,907
Other	11,069	11,069	79,639	68,570
Total Revenues	<u>5,636,893</u>	<u>5,636,893</u>	<u>9,783,121</u>	<u>4,146,228</u>
Expenditures				
Current:				
Services and supplies	\$ 1,833,110	\$ 1,983,110	\$ 729,475	\$ 1,253,635
Capital outlay	-	-	847,182	(847,182)
Total Expenditures	<u>1,833,110</u>	<u>1,983,110</u>	<u>1,576,657</u>	<u>406,453</u>
Net Change in Fund Balance	<u>\$ 3,803,783</u>	<u>\$ 3,653,783</u>	8,206,464	<u>\$ 4,552,681</u>
Budgetary Fund Balance - Beginning			<u>41,143,495</u>	
Budgetary Fund Balance - Ending			<u>49,349,959</u>	
Other financing uses				
Operating transfers out			<u>(1,531,625)</u>	
GAAP Fund Balance			<u>\$ 47,818,334</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, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	
Revenues				
Property taxes	\$ 435,089	\$ 435,089	\$ 537,976	\$ 102,887
Interest and investment income (loss)	27,561	27,561	225,205	197,644
Total Revenues	<u>462,650</u>	<u>462,650</u>	<u>763,181</u>	<u>300,531</u>
Expenditures				
Services and supplies	\$ 992,399	\$ 992,399	\$ 369,522	\$ 622,877
Net Change in Fund Balance	<u>\$ (529,749)</u>	<u>\$ (529,749)</u>	393,659	<u>\$ 923,408</u>
Budgetary Fund Balance - Beginning			3,723,921	
Budgetary Fund Balance - Ending			<u>\$ 4,117,580</u>	
Other financing uses				
Operating transfers out			<u>(10,000)</u>	
Excess (deficiency) of revenues and other source over expenditures			<u>\$ 4,107,580</u>	

SAN MATEO
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

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, 2025.

2. EXPENDITURES LESS THAN BUDGET

For the fiscal year ended June 30, 2025, the District reported expenditures below budget across several operational areas. This favorable variance is primarily attributable to a lower-than-anticipated volume of spending on services and supplies, in part because project milestones for some initiatives extended into future years. While the District is expanding its operation with an expectation of rising annual expenditures, costs for FY2024-25 did not reach the levels projected during the budget forecast.

For General Fund, the actual expenditures were \$1.1 million under budget. This is mainly due to the state-funded mobile home project, which remains in study and partnership development phase.

For Colma Creek Flood Zone, actual expenditures were \$0.4 million under budget. This results from pending maintenance agreements with the City of South San Francisco, which are expected to cover work in FY2025-26 and FY2026-27.

For San Bruno Creek Flood Zone, actual expenditures were \$0.6 million under budget. Following the finalization of a FEMA grant agreement in October 2024, the District's focus was on foundational planning. A consultant developed an updated hydrologic and hydraulic (H&H) model to analyze system vulnerabilities and evaluate mitigation approaches. An RFP for a consultant to complete the resilience project was prepared for a July 2025 release, with the two-year project spanning for FY2025-26 and FY2026-27. Concurrently, studies are ongoing to assess which existing infrastructure needs replacement to address future climate threats.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 1,704,550	\$ 577,200	\$ 2,281,750
Receivables			
Taxes receivable	8,490	384	8,874
Interest receivable	14,475	4,884	19,359
Total Assets	\$ 1,727,515	\$ 582,468	\$ 2,309,983
Liabilities			
Accounts payable	\$ 165	\$ 59	\$ 224
Fund Balances			
Assigned	1,727,350	582,409	2,309,759
Total Liabilities and Fund Balances	\$ 1,727,515	\$ 582,468	\$ 2,309,983

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, 2025

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	Total Nonmajor Governmental Funds
Revenues			
Property tax	\$ 572,535	\$ 25,185	\$ 597,720
Interest and investment loss	83,046	31,255	114,301
Total Revenues	<u>655,581</u>	<u>56,440</u>	<u>712,021</u>
Expenditures			
Services and supplies	380,663	1,755	382,418
Total Expenditures	<u>380,663</u>	<u>1,755</u>	<u>382,418</u>
Other Financing Sources (Uses)			
Transfers Out	(7,000)	(100)	(7,100)
Total Expenditures	<u>(7,000)</u>	<u>(100)</u>	<u>(7,100)</u>
Net Change in Fund Balances	267,918	54,585	322,503
Fund Balances - Beginning	<u>1,459,432</u>	<u>527,824</u>	<u>1,987,256</u>
Fund Balances - Ending	<u><u>\$ 1,727,350</u></u>	<u><u>\$ 582,409</u></u>	<u><u>\$ 2,309,759</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, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 30, 2025.

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

October 30, 2025