

SAN JOAQUIN AREA FLOOD CONTROL AGENCY
FINANCIAL STATEMENTS
JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Joaquin Area Flood Control Agency
Stockton, California

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the San Joaquin Area Flood Control Agency (the "Agency"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the Agency, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 29-35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the Agency'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 the testing and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Stockton, California
December 6, 2021

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

This section of the San Joaquin Area Flood Control Agency's (the Agency) annual financial report represents a discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2021. It should be read in conjunction with the Agency's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

The Agency's Flood Protection Restoration Project (FPRP) does not receive assessment district or other financial proceeds due to the retirement of the assessment district bonds on September 2, 2011. Only the Maintenance and Operations assessments are collected annually for the FPRP as these flood protection improvements continue to be maintained.

The FPRP was included in Federal legislation and a Memorandum of Agreement (MOA) with the U.S. Army Corps of Engineers (USACE) was executed on March 2, 2002, which allows reimbursement for the Federal share of the Agency's project through the annual USACE budgeting process. Since the signing of the MOA with USACE, the Agency received \$22,868,020 through fiscal year 2010. The remaining \$10 million reimbursement was received during 2019 and as of June 30, 2021, the Agency has received \$32,933,185 of Federal reimbursement. The reimbursement from 2019 has been the source of funding for the first increment of local cost-share for design of the Lower San Joaquin River Project.

The State of California's share of the FPRP was received in 1998 and totaled \$12,625,000.

On July 10, 2013, the Agency formed the Smith Canal Area Assessment District (SCAAD). The district was created to provide the local cost share for constructing and maintaining improvements to remove the Smith Canal area from a Federal Emergency Management Agency (FEMA) Special Flood Hazard Area. Fiscal year 2020-21 is the seventh year of assessment collection for SCAAD.

The Agency executed a funding agreement with the State for an Early Implementation Program grant in the amount of \$2.4 million to cost share the design of the Smith Canal Gate project. The Agency also executed a funding agreement with the State for \$22.3 million to cost-share construction expenses through the State's Urban Flood Risk Reduction Program.

Effective January 1, 2018, the Agency amended and restated its Joint Exercise of Powers Agreement which expanded its boundaries to include the cities of Lathrop and Manteca. Prior to the 2018 amendment, membership of the JPA consisted of elected representatives from the City of Stockton, County of San Joaquin and the San Joaquin County Flood Control and Water Conservation District. This action was taken to implement a plan to provide improved flood protection for the Reclamation District 17 basin, also known as Mossdale Tract. A funding stream was created to support the Mossdale Tract Program, with the goal of achieving 200-year flood protection.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

On July 18, 2019, the Board of Directors adopted Resolution No. 19-29, entitled "A Resolution of the Board of Directors of the San Joaquin Area Flood Control Agency Approving the Form and Authorizing the Distribution of a Preliminary Official Statement in Connection with the Offering and Sale of Assessment District Revenue Bonds, Authorizing the Sale of the Bonds and Approving Related Documents and Actions". On May 20, 2020, the sale of the bonds netted \$23,257,457 deposit into the Project Fund (approx. \$950,000 more than estimated on April 30th at time of Contract Award). This amount of SJAFCA's debt represents bonds secured by the Smith Canal Area Assessment District.

During this fiscal year, Development Impact Fee revenue increased by \$4,687,214 due to increase in development fees from the Member Agency cities; City of Stockton fees collected were \$253,465, City of Manteca fees collected were \$980,250, and the City of Lathrop fees collected were \$3,453,499.

The Fiscal Year 2020-2021 Budget was adopted by SJAFCA Board of Directors on June 17, 2020. The budget supports SJAFCA's continuing efforts to address the region's flood control needs during the coming year and is consistent with the objectives of SJAFCA's current Strategic Plan. SJAFCA's Strategic Plan identifies the efforts which Agency will undertake to "reduce and manage the region's flood risk".

On December 17, 2020, the Board of Directors authorized the payment of \$504,654 to USACE for the local cost contribution in fulfillment of the terms of the Design Agreement and Local Design Agreement for advancing Phase I of Lower San Joaquin River Project, California. The design agreement specifically allowed USACE Sacramento District to begin the preconstruction, engineering, and design phase of the project.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's basic financial statements include: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements provide an overview of the Agency's financial position. Refer to Note 2 (Notes to Basic Financial Statements) for further information on significant accounting policies. The Statement of Net Position presents information on all the Agency's assets and liabilities with the difference between the two reported as net position. The Statement of Activities presents information showing how net position changed during the most recent fiscal year.

The Agency's assets are distributed among different fund types. The Agency's assets are capital assets acquired or constructed as part of flood risk reduction improvements. The Agency's noncapital assets are cash and cash equivalents. The County of San Joaquin (the County) maintains the cash pools for the Agency and serves as its Treasurer.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Historically, the Agency's assets were mostly derived from the original assessment and the proceeds of the bonds issued in 1996, and interest income on the balances from these assets. Other sources of funds included Flood Control Equalization Fees, which were collected for the Agency by the County and the City of Stockton when building permits were issued to new development within the Agency's original assessment district boundaries and did not include Lathrop and Manteca.

As part of the Stockton Metropolitan watershed, the Agency acquired the rights-of-way needed for the project from property owners and these are classified under assets as land. In 2003, the Agency transferred to the State of California all real property associated with the project. However, the Central Valley Flood Protection Board (formerly the State of California Reclamation Board) has not accepted the federally authorized project alluding i) the project was not authorized by the State legislature, and ii) the need for more formal indemnification assurance. When the Central Valley Flood Protection Board agrees to designate the project as part of the State Plan of Flood Control, the Agency will no longer carry these assets.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other State and local governmental agencies, uses fund accounting, each fund having its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The Agency funds are divided into three categories: General Fund, Special Revenue Fund, and Capital Project Funds.

The General Fund accounts for funds loaned to the Agency in 1995 by the City of Stockton and the county for the initial funding of the project activities, as well as federal reimbursement for the flood project completed in 1998. The City of Stockton and County loans were paid, and, after the bond money was received, additional funds were created.

The Special Revenue Funds account for assessment district proceeds for maintenance and operations (M&O) of flood control structures for the Flood Protection Restoration Assessment District, and the local cost for design, construction, and maintenance of flood control improvements for the Smith Canal Area Assessment District. Assessments are collected as a line item in property tax bills and are deposited into a fund solely designated for the purpose of the assessment district. Other proceeds are collected through special fees or loan agreements and their use is restricted for the Mossdale Tract area to achieve compliance with Senate Bill 5.

The Capital Project Funds support the Agency's capital programs and operating costs. Resources are from the original assessments, Flood Control Equalization Fees, proceeds from the initial FPRP bond issue and interest income. Both Federal and State reimbursements are included in these funds.

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

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information*. This information includes a budgetary comparison schedule for the Agency's governmental funds.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

The Agency applies Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*. As noted earlier, net position provides an overview of the Agency's financial position.

The following table shows that the Agency's assets exceed liabilities by \$52,713,069 (\$78,476,649 - \$25,763,580) as of June 30, 2021, and net position decreased by \$7,345,919 (\$52,713,069 - \$60,058,988) compared with the prior year:

STATEMENTS OF NET POSITION

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 42,738,033	\$ 49,971,900
Capital assets	35,738,616	36,639,734
TOTAL ASSETS	<u>78,476,649</u>	<u>86,611,634</u>
LIABILITIES		
Current liabilities	2,767,618	3,137,340
Noncurrent liabilities	22,995,962	23,415,306
TOTAL LIABILITIES	<u>25,763,580</u>	<u>26,552,646</u>
NET POSITION		
Net investment in capital assets	12,448,490	12,590,410
Restricted for capital improvements	5,071,488	5,242,167
Unrestricted	35,193,091	42,226,411
TOTAL NET POSITION	<u>\$ 52,713,069</u>	<u>\$ 60,058,988</u>

The Agency's capital net position for the year ended June 30, 2021: Land and Easements \$9,678,245 and Flood Control Infrastructure (net of depreciation) \$26,060,371 totaling \$35,738,616 represent approximately 45% of the Agency's total assets (see Capital Assets table on page 9). These capital assets are the flood control improvements constructed by the Agency and are considered assets belonging temporarily to the Agency. The following table identifies the changes in net position for the years ended June 30, 2021 and 2020:

SAN JOAQUIN AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

STATEMENT OF ACTIVITIES

	<u>2021</u>	<u>2020</u>
REVENUES		
Assessments	\$ 2,640,751	\$ 2,583,334
Aid from other government agencies	17,974,118	3,677,350
Investment earnings	70,825	491,796
Total revenue	<u>20,685,694</u>	<u>6,752,480</u>
EXPENSES		
Operation and maintenance	25,715,173	7,010,873
Agency management	1,436,186	1,300,015
Interest and other charges	880,254	460,044
Total expenses	<u>28,031,613</u>	<u>8,770,932</u>
Change in net position	<u>(7,345,919)</u>	<u>(2,018,452)</u>
NET POSITION		
Net position, beginning of year	60,058,988	62,077,440
Net position, end of year	<u>\$ 52,713,069</u>	<u>\$ 60,058,988</u>

The Agency receives revenues from sources which include M&O assessments, Smith Canal assessments, interest and investment income, and project reimbursements from the State and the Federal government. Other sources of revenue are received through partnership agreements with other local and government agencies to help fund flood studies or related flood control activities approved by the Board of Directors. The collection of M&O assessments can only be used to maintain and operate the FPRP flood control structures, and the collection of Smith Canal assessments can only be used to design, construct, and maintain the Smith Canal project improvements.

Revenues increased significantly from \$6,752,480 in fiscal year 2020 to \$20,685,694 in fiscal year 2021. The increase is largely due to an increase in Levee Impact Fees from urban growth in the Mossdale Tract Area in 2021.

Expenses increased from \$8,770,932 in fiscal year 2020 to \$28,031,613 in fiscal year 2021. The increase is associated with program activities and the first year of construction on the Smith Canal Gate.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

FINANCIAL ANALYSIS OF AGENCY FUNDS

The General Fund accounts for those funds loaned to the Agency in 1995 by the City of Stockton and the County for the initial funding of the FPRP activities, and the 2019 federal reimbursement received from the U.S. Army Corps of Engineers. The City of Stockton and County loans have since been paid. The Agency General Fund is used to offset some of the general operating costs that are not allocated to projects.

Special Revenue Funds Appropriate M&O assessments are collected annually through property taxes and are deposited in the Maintenance and Operations Fund. These monies are limited to M&O of the flood control structures built by the Agency. The annual budget for M&O is prepared in coordination with the San Joaquin County Public Works Department and approved by the Agency's Board of Directors.

A budget of \$1,209,963 which includes a \$100,000 contingency allocation for emergencies, was considered appropriate for fiscal year 2020-21 for M&O. The budget is impacted by requirements to comply with stringent levee standards imposed by regulatory agencies and growing vandalism to flood control structures by persons who encamp on the levees. The Maintenance and Operations Fund had a balance of approximately \$5.2 million on June 30, 2021.

Beginning fiscal year 2014-15, assessments for the SCAAD are collected annually through property taxes and are deposited into a separate fund for the design, construction, and maintenance of flood control improvements for the specially benefited parcels within SCAAD. The assessment is in compliance with all laws pertaining to Proposition 218 including Article XIII-D of the California Constitution. Assessment collection for fiscal year 2020-21 was \$1.69 million.

Capital Projects Funds These funds are available to meet the Agency's operating and capital program costs. Aside from Special Revenue Funds, and the General Fund, the Agency does not have long-term sustainable revenue sources in place to support Agency operations in the long-term.

INFRASTRUCTURE ASSETS

Capital Assets

The Agency's investment in capital assets as of June 30, 2021, is \$35,738,616. These capital assets include land (right-of-way acquired for the project) and flood control infrastructures. The area protected by the Agency is about 38,700 gross acres of land with approximately 74,000 parcels in the County. The Agency completed the main construction of the flood control improvements project in November 1998, and since then, no major construction has been undertaken. However, authorized project studies and investigations may lead to new projects. Apart from normal depreciation, there were no changes in capital assets during fiscal year ended June 30, 2021.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

CAPITAL ASSETS

(net of accumulated depreciation)

	<u>2021</u>	<u>2020</u>
Land and easements	\$ 9,678,245	\$ 9,678,245
Infrastructure assets, net	<u>26,060,371</u>	<u>26,961,489</u>
Total	<u>\$ 35,738,616</u>	<u>\$ 36,639,734</u>

Total accumulated depreciation as of June 30, 2021 is \$18,998,233. Therefore, the net infrastructure assets are \$26,060,371 (\$45,058,604 - \$18,998,233). The infrastructure assets are being depreciated over an estimated useful life of 50 years.

As noted earlier, these capital assets are the flood control improvements constructed by the Agency and are considered assets belonging temporarily to the Agency. Land acquired by the Agency for the right-of-way purposes was turned over to the Central Valley Flood Projection Board; however, the Central Valley Flood Projection Board has not accepted the federally authorized project. Therefore, when the Central Valley Flood Projection Board agrees to designate the project as part of the State Plan of Flood Control the Agency will no longer carry these assets.

AGENCY OPERATIONS

The Agency completed the main construction of its \$70 million flood control improvements project in November 1998. In past years, due to the concern of levee decertification by FEMA, the Board of Directors held some Capital Projects Funds in reserve to remedy levee decertification. During fiscal year 2009-10, the Board of Directors authorized technical studies and investigation using these funds. These technical studies and investigations support future projects. Currently, the Agency participates in flood control studies and investigations which will provide or restore the required level of protection for parcels within the Agency's assessment district area.

During fiscal year 2019-20, the Board of Directors approved the award of a \$49,487,976 contract for construction of the Smith Canal Gate Project to Shimmick Construction. In Fiscal Year 2020-2021, the first construction season of the Smith Canal Gate Project was successfully completed with installation of the cofferdam, pipe piles and seepage cut off walls for the gate structure. The project will be completed in the 2022 construction season.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

On September 30, 2020, representatives of USACE, California Central Valley Flood Protection Board and SJAFCA signed a multi-year Project Partnership Agreement that signals the next step in efforts to reduce the flood risk for the northern and central areas of the City of Stockton. The plan for the Lower San Joaquin River Project (California), authorized by Congress in the America's Water Infrastructure Act of 2018, will provide flood risk management benefits to over 71,000 acres of mixed-use land with a current population estimated at 160,000 residents and an estimated \$21 billion in property. The recommended plan includes North and Central Stockton–Delta Front, Lower Calaveras River, and San Joaquin River levee improvements. The structural features of the plan include approximately 24 miles of levee improvements, and two closure structures (Fourteen-mile Slough and Smith Canal). The non-structural measures include a comprehensive flood warning system, emergency evacuation planning and floodplain management. The overall project is estimated to cost \$1.3 billion with annual benefits of \$255 million. The total project cost will be shared between the US government (65%), the State of California (24.5%) and SJAFCA (10.5%). The project would allow the Stockton metro community to continue to meet both FEMA certification requirements, and at least a portion of the State of California's criteria for funding of Flood Risk Management projects, allowing for potential reduction in National Flood Insurance Program costs to the community. Project construction is currently anticipated to start in 2022 with completion in 2032.

During the Fiscal Year 20-21, two staff members previously on loan to SJAFCA from the City of Stockton were re-absorbed into the city workforce. Following their return to the city workforce, SJAFCA directly hired four of its own employees to fill those vacancies and reorganized personnel to meet agency needs.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Agency's Executive Director, Chris Elias at 22 E. Weber Avenue, Room 301 Stockton, California 95202.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>
 ASSETS	
Current assets:	
Cash and cash equivalents	\$ 37,674,963
Interest income receivable	35,564
Receivable - State of California	4,717,023
Prepaid expenses	310,483
Total current assets	<u>42,738,033</u>
Capital assets:	
Land and easements	9,678,245
Infrastructure assets, net	26,060,371
Total capital assets	<u>35,738,616</u>
Total assets	<u>78,476,649</u>
 LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	2,163,454
Bonds payable, current maturity	400,000
Accrued bond interest	204,164
Member agency loans	310,000
Total current liabilities	<u>3,077,618</u>
Noncurrent liabilities:	
Bonds payable, net of current maturity	22,685,962
Total noncurrent liabilities	<u>22,685,962</u>
Net position:	
Net investment in capital assets	12,448,490
Restricted for capital improvements	5,071,488
Unrestricted	35,193,091
Total net position	<u>\$ 52,713,069</u>

See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions / Programs	Program Expenses	Program Revenues		Net (Expense) Revenue
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Operations and maintenance	\$ 25,715,173	\$ 17,974,118	\$ -	\$ (7,741,055)
Agency management	1,436,186	-	-	(1,436,186)
Interest and other charges	880,254	-	-	(880,254)
Total governmental activities	<u>\$ 28,031,613</u>	<u>\$ 17,974,118</u>	<u>\$ -</u>	<u>\$ (10,057,495)</u>
General revenues:				
Assessments fees				\$ 2,640,751
Investment earnings - interest				187,245
Investment earnings - unrealized (loss)				<u>(116,420)</u>
Total general revenues				<u>2,711,576</u>
Change in net position				<u>(7,345,919)</u>
Net position, beginning of year				<u>60,058,988</u>
Net position, end of year				<u>\$ 52,713,069</u>

See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2021

	General Fund	Maintenance and Operations Fund	Smith Canal Assessment & Closure Fund	Mossdale Tract & Levee Impact Fees Fund	Lower SJ River Project Fund	Regional Flood Mgmt Program Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,547,132	\$ 5,180,494	\$ 22,278,717	\$ 4,914,335	\$ 2,465,591	\$ 288,694	\$ 37,674,963
Interest income receivable	4,307	4,858	19,464	4,381	2,269	285	35,564
Receivable - State of California	-	-	3,089,126	1,395,579	-	232,318	4,717,023
TOTAL ASSETS	<u>2,551,439</u>	<u>5,185,352</u>	<u>25,387,307</u>	<u>6,314,295</u>	<u>2,467,860</u>	<u>521,297</u>	<u>42,427,550</u>
LIABILITIES							
Accounts payable	19,688	113,864	1,789,909	169,876	39,736	30,381	2,163,454
Member agency loans	-	-	-	310,000	-	-	310,000
Total liabilities	<u>19,688</u>	<u>113,864</u>	<u>1,789,909</u>	<u>479,876</u>	<u>39,736</u>	<u>30,381</u>	<u>2,473,454</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-	59,401	-	57,236	116,637
FUND BALANCES							
Restricted	-	5,071,488	-	-	-	-	5,071,488
Assigned	-	-	23,597,398	5,775,018	2,428,124	433,680	32,234,220
Unassigned	2,531,751	-	-	-	-	-	2,531,751
Total fund balances	<u>2,531,751</u>	<u>5,071,488</u>	<u>23,597,398</u>	<u>5,775,018</u>	<u>2,428,124</u>	<u>433,680</u>	<u>39,837,459</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,551,439</u>	<u>\$ 5,185,352</u>	<u>\$ 25,387,307</u>	<u>\$ 6,314,295</u>	<u>\$ 2,467,860</u>	<u>\$ 521,297</u>	<u>\$ 42,427,550</u>

See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 39,837,459

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Infrastructure assets, land, and easements	54,736,849	
Less: accumulated depreciation	<u>(18,998,233)</u>	
		35,738,616

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

(22,979,643)

As the focus of Governmental Funds is on short-term financing, some assets will not be available to pay current expenditures. Those assets (receivables) are offset by unavailable revenue in the Governmental Funds.

116,637

Net Position of Governmental Activities \$ 52,713,069

See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Maintenance and Operations Fund	Smith Canal Assessment & Closure Fund	Mossdale Tract & Levee Impact Fees Fund	Lower SJ River Project Fund	Regional Flood Mgmt Program Fund	Total Governmental Funds
Revenues:							
Assessments	\$ -	\$ 945,479	\$ 1,695,272	\$ -	\$ -	\$ -	\$ 2,640,751
Investment earnings - interest	43,730	27,461	90,067	16,189	8,737	1,061	187,245
Investment earnings - unrealized gain (loss)	4,572	(33,510)	(44,419)	(31,185)	(7,218)	(4,660)	(116,420)
Other government agency aid	-	-	12,737,229	4,885,604	-	194,585	17,817,418
Grants	-	-	-	100,000	-	-	100,000
Total revenues	48,302	939,430	14,478,149	4,970,608	1,519	190,986	20,628,994
Expenditures:							
Current operating:							
Maintenance and operations	12,018	991,728	22,047,788	907,841	648,297	206,383	24,814,055
Agency management	141,840	123,866	587,893	454,633	72,316	55,638	1,436,186
Debt service:							
Principal	-	-	910,000	-	-	-	910,000
Interest and other charges	-	-	718,746	-	-	-	718,746
Total expenditures	153,858	1,115,594	24,264,427	1,362,474	720,613	262,021	27,878,987
Excess (deficiency) of revenues over expenditures	(105,556)	(176,164)	(9,786,278)	3,608,134	(719,094)	(71,035)	(7,249,993)
Other financing sources (uses):							
Transfers in (out)	(8,684,783)	5,485	5,024,914	2,451	3,147,218	504,715	-
Total other financing sources (uses)	(8,684,783)	5,485	5,024,914	2,451	3,147,218	504,715	-
Net change in fund balances	(8,790,339)	(170,679)	(4,761,364)	3,610,585	2,428,124	433,680	(7,249,993)
Fund balances, beginning	11,322,090	5,242,167	28,358,762	2,164,433	-	-	47,087,452
Fund balances, ending	\$ 2,531,751	\$ 5,071,488	\$ 23,597,398	\$ 5,775,018	\$ 2,428,124	\$ 433,680	\$ 39,837,459

See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net changes in Fund Balances - Governmental Funds \$ (7,249,993)

Amounts reported for Governmental Activities in the Statement of Activities
are different because of the following:

When capital assets that are to be used in Governmental Activities are
purchased or constructed, the resources expended for those assets
are reported as expenditures in the Governmental Funds. This is the amount
of capital assets additions and depreciation recorded in current year.

Depreciation expense	<u>(901,118)</u>	(901,118)
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Revenues in the governmental fund's statement that do not provide current financial resources are not reported as revenue in the fund.	56,700
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The issuance of long-term debt provide current financial resources
to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net position. Also,
governmental funds report the effect of premiums, discounts, and similar
items when debt is first issued, whereas these amounts are deferred and
amortized in the statement of activities. This is the net effect of these
differences in the treatment of long-term debt and related items.

748,492

Changes in Net Position of Governmental Activities	<u><u>\$ (7,345,919)</u></u>
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See accompanying notes to the basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. DESCRIPTION OF THE AGENCY

The San Joaquin Area Flood Control Agency (the Agency) is the result of a joint powers agreement (JPA) between the City of Stockton (the City), the County of San Joaquin (the County), and the San Joaquin County Flood Control and Water Conservation District (the District). The Agency was formed on May 25, 1995, for the purposes of undertaking the acquisition, construction, and/or installation of improvements to flood control channels in the City and the portion of unincorporated areas of the County adjacent thereto (the Project), in order to provide a 100-year flood protection to these areas. The Agency is a public entity pursuant to the provisions of Articles 1-4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

The basic operations of the Agency are financed as a part of the Project operations and costs. An annual special assessment based on total costs of the Project was assessed during the year ended June 30, 1996. The assessment paid for Project costs and bond repayment. The Agency retired the bonds three years ahead of scheduled maturity on September 2, 2011. During the year ended June 30, 1997, an additional annual special assessment was approved for the continued maintenance of the flood project structures. Collections of the June 30, 1997, assessment will continue to finance the maintenance of the flood project structure until adoption of a terminating resolution.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Financial Agency

The Agency's basic financial statements include the accounts of all Agency operations. The Agency's basic financial statements do not include operations of the associated governmental agencies involved in the joint powers agency, namely, the City, the County, and the District.

Basis of Presentation – Government-Wide Accounting

The government-wide financial statements include the Statement of Net Position and the Statement of Activities and report financial information on the Agency as a whole.

The Statement of Activities presents a comparison between direct expenses and program revenues for functions of the Agency's governmental activities. Direct expenses are those that are clearly identifiable with specific function. Program revenues include 1) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 2) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Other items not properly included are reported instead as general revenues and expenses.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Accounting

Fund financial statements provide information about the Agency's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency does not have any proprietary or fiduciary funds.

Measurement focus, basis of accounting, and financial statement presentation

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 when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized in the year for which they are levied.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days after year-end. Expenditures are recorded when the related liability is incurred, except for general obligation on principal and interest which are reported as expenditures in the year they are due.

The major sources of revenues susceptible to accrual are assessments of property owners and investment income.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Allocation of Indirect Expenses

The Agency allocates indirect expenses, primarily comprised of administrative services, to Agency management functions. Administrative services include accounting, financial reporting, payroll reimbursement, investing and cash management, personnel services, and other administrative services.

Fund Types and Major Funds

The Agency reported the following major governmental funds in the accompanying financial statements:

General fund – Accounts for general administrative expenses and acts as Agency reserves.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance and Operations Fund – Accounts for the collection of special assessments from property owners within the Agency’s assessment district for the maintenance of the flood structures. Proceeds are restricted to the maintenance and operations (M&O) activities identified in the M&O budget.

Smith Canal Assessment Fund – Accounts for the collection of special assessments from property owners within the Smith Canal Area Assessment District. The collection of assessments are for design, construction, and maintenance of the Smith Canal flood control improvements to remove the area from a Federal Emergency Management Agency (FEMA) Special Hazard Area. Proceeds are restricted to activities identified in the Annual Engineer’s Report for the Smith Canal Area Assessment District.

Smith Canal Closure Fund – This fund was initially created to collect Early Implementation Project (EIP) funding received by the State of California per a Funding Agreement for the design of the Smith Canal Gate project. The fund is now used to collect Urban Flood Risk Reduction funding received by the State for final design and construction of the project.

Mossdale Tract Fund and Mossdale Levee Impact Fees Fund – Accounts for the collection of proceeds from member agencies through a loan agreement and for the collection of proceeds from member agencies for development impact fee when building permits are issued for new development in the Mossdale Tract area. The proceeds will be used to fund flood control improvements needed to obtain 200-year level of flood protection for the Mossdale Tract area.

Lower San Joaquin River Project Fund – This fund was established in partnership with the US Army Corps of Engineers (Corps) and the California Central Valley Flood Protection Board (CVFPB) to study and evaluate ways to improve the region’s level of flood protection. The partnership resulted in the Congressionally-authorized Lower San Joaquin River Feasibility Study. The fund will be used to track costs towards the federally-approved project.

Regional Flood Management Program Fund – Accounts for the collection of proceeds from California Department of Water Resources’ Regional Flood Management Program.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure Assets and Depreciation

The Agency's infrastructure assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Agency generally capitalizes all assets as construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Infrastructure assets are depreciated using the straight-line method over a useful life of 50 years.

Reservation of Fund Balances

The Agency records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditure in the governmental funds balance sheet.

Restriction of Net Position

Net position is the excess of all the Agency's assets over all its liabilities, regardless of fund. Net position is divided into three captions under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. If restricted and unrestricted net position are available for the same purpose, then restricted net position will be used before unrestricted net position. These captions apply only to net position, which is determined only at the government-wide level, and is described below:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation, less the outstanding balance of any debt issued to finance these assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted – The amount is all the net position that does not meet the definition of "net investment in capital assets" or "restricted."

Assessment Tax

The County collects the Agency's assessment tax revenue as part of the County's property taxes. The County's secured property tax payments are levied in two equal installments: the first is generally due November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property with unpaid taxes incurs a lien on January 1st preceding the fiscal year for which taxes are levied. Property taxes on the unsecured roll are due on the January 1st lien date and become delinquent if unpaid on August 31st.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Agency maintains a large portion of its cash in the County Treasury. The County pools these funds with those of other agencies in the County and invests the cash.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Fund Balance

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described below:

Nonspendable Fund Balance – Amounts that are inherently nonspendable such as inventory or long-term receivables.

Restricted Fund Balance – Amounts that have externally enforceable limitations on use that are either imposed by law or constrained by grantors, contributors, or laws and regulations of other governments.

Committed Fund Balance – Amounts that can only be used for specific purposes determined by formal action of the Agency's highest level of decision-making authority, the Board of Directors. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use through the same type of formal action taken to establish the commitment. The formal action must occur prior to the end of the reporting period; however, the amount can be determined subsequently.

Assigned Fund Balance – Amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The intent can be expressed by the Board of Directors itself or by an official to which the governing body has delegated the authority.

Unassigned Fund Balance – The residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories. This amount is reported only in the General Fund except in cases of negative fund balance. Negative fund balances in other governmental funds are reported as Unassigned Fund Balance.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of the Agency consider restricted fund balance to have been spent first when an expenditure is incurred if both restricted and unrestricted fund balance are available. Similarly, when all expenditure is incurred for purposes for which amounts in any of the unrestricted classification of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Most non-general funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of a fund will be allocated to the applicable fund balance classifications in the order of the spending policy above.

Bond Issue

On May 18, 2020, the Agency issued "San Joaquin Area Flood Control Agency, California Smith Canal Area Assessment District Assessment Revenue Bonds, Series 2020." The principal amount was \$23,435,000, less underwriter discount of \$107,801, plus premium of \$580,306.

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. See Note 9.

NOTE 3. DETAILED NOTES ON FUNDS

The Agency maintains a large portion of its cash in the County Treasury as part of the common investment pool (the Pool), which had a carrying value of \$37,444,034 as of June 30, 2021.

The Agency is considered to be an involuntary participant in the external investment Pool. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 3. DETAILED NOTES ON FUNDS (CONTINUED)

Participants' equity in the Pool is determined by the dollar amount of the participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances.

The value of the Agency's shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Agency's position in the Pool. The Agency's investment in the Pool is unrated, stated at amortized cost which approximates fair value, available on demand, and considered cash equivalents.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of fair value to changes in market interest rate. As of year-end, the weighted average maturity of the investments contained in the Pool was approximately one year.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. California statutes and the County's investment policy limit the County investments to obligations of the U.S. Treasury, certain Federal agencies, bankers' acceptances, "prime" commercial paper, certificates of deposit, swaps and trades, State Treasurer's Local Agency Investment Fund, and repurchase agreements.

Concentration of Credit Risk - Concentration of credit risk is the loss risk attributed to the magnitude of a government's investment in a single issuer. The County's investment policy places certain maximum percentage limitations of investments by investment type and the Treasurer has adhered to this policy with no exception.

Custodial Credit Risk - Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The County issues a financial report that includes custodial credit risk disclosures for the cash in the County Treasury. The report may be obtained by writing to the County Treasurer, 44 North San Joaquin Street, Stockton, California 95202.

Assessments Receivable

Assessments are collected and remitted to the County Tax Collector. The County Tax Collector's office transfers the assessment amount to the Agency's fund held by the County Treasury. In the governmental fund financial statements, assessments receivable is recorded in the Special Revenue Funds. In the government-wide financial statements, assessments receivable includes all amounts due to the Agency regardless of when the cash is received.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. DETAILED NOTES ON FUNDS (CONTINUED)

Accounts Payable

Significant payables include amounts due to a related party. See Note 5 for information describing related parties. Other payable amounts are due to vendors for services rendered prior to the fiscal year end.

Capital Assets

The following table provides a summary of changes in capital assets:

	June 30, 2020	Additions	Deletions	June 30, 2021
Nondepreciable capital assets:				
Land and easements	\$ 9,678,245	\$ -	\$ -	\$ 9,678,245
Depreciable capital assets:				
Infrastructure assets	45,058,604	-	-	45,058,604
Less accumulated depreciation	(18,097,115)	(901,118)	-	(18,998,233)
Net depreciable capital assets	26,961,489	(901,118)	-	26,060,371
Net capital assets	\$ 36,639,734	\$ (901,118)	\$ -	\$ 35,738,616

NOTE 4. FUND BALANCES

Fund balances are presented in the following categories: restricted, assigned, and unassigned (See Note 2 for a description of these categories). A detailed schedule of fund balances at June 30, 2021, is as follows:

	General Fund	Maintenance & Operations Fund	Smith Canal Assessment & Closure Fund	Mossdale Tract & Levee Impact Fees Fund	Lower SJ River Project Fund	Regional Flood Mgmt Program Fund	Total
Fund balances:							
Restricted for maintenance and operations	\$ -	\$ 5,071,488	\$ -	\$ -	\$ -	\$ -	\$ 5,071,488
Assigned to capital projects	-	-	23,597,398	5,775,018	2,428,124	433,680	32,234,220
Unassigned	2,531,751	-	-	-	-	-	2,531,751
Total fund balances	\$ 2,531,751	\$ 5,071,488	\$ 23,597,398	\$ 5,775,018	\$ 2,428,124	\$ 433,680	\$ 39,837,459

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 5. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Agency has approved payments to members of the JPA for services and personnel costs of the Agency. These costs are accumulated in the Agency administrative costs. Amounts paid to the related parties during the fiscal year ended June 30, 2021, were \$1,379,195.

NOTE 6. COMMITMENTS

The Agency entered into a \$10 million cost-share agreement with the USACE and the Central Valley Flood Protection Board for a feasibility study for the Lower San Joaquin River, of which, the local responsibility is \$2.5 million. Information from this study will be used to develop a plan to reach a 200- year level of flood protection for urban and urbanizing areas as required by State Senate Bill 5.

The Agency's Board of Directors also authorized a \$6.1 million contract to complete the design of the Smith Canal Gate project to restore flood protection to an area affected by levee decertification and FEMA re-mapping. The Agency secured an EIP grant through the State Department of Water Resources (DWR) in the amount of \$2.4 million to cost-share half of the design and environmental work.

The remaining half is being funded with assessment revenues that were passed under Proposition 218 on July 10, 2013. The Agency executed an Urban Flood Risk Reduction grant for \$22.3 million, which was later increased to \$35.8 million, to cover remaining design, permitting, and construction costs. The Agency anticipates the State to cost share in 63% of total project costs.

NOTE 7. MEMBER AGENCY LOANS

Each member agency (City of Stockton, City of Lathrop, City of Manteca, and County of San Joaquin) signed a seed funding agreement that would loan the Agency an amount not to exceed \$365,000 each. The loans are to be used for planning of the Mossdale Tract Phase IV levee improvements and to demonstrate progress toward compliance with Senate Bill 5 requirements. Each Member Agency advanced an amount of \$65,000 with exception of the City of Lathrop which advanced an amount of \$115,000. The term of repayment for the loan amounts do not include interest and can be repaid any time prior to June 30, 2029, at the Agency's discretion. It should also be noted that the loans may be forgiven if permanent funding sources for the entirety of the Mossdale Tract Phase IV Levee Improvement Project is unable to be secured.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 8. INTERFUND TRANSFERS

Transfers and payments within the Agency are for the purpose of subsidizing operating functions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide Statement of Activities eliminates transfers as reported within the segregated governmental columns. Only transfers between columns appear in this statement.

The following schedule reports transfers and payments within the Agency:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 8,684,783
Maintenance and Operations Fund	5,485	-
Smith Canal Assessment	1,014,230	-
Smith Canal Closure	4,010,684	-
Mossdale Tract	2,002,451	-
Mossdale Levee Impact	-	2,000,000
Lower SJ River Project Fund	3,147,218	-
Regional Flood Mgmt Program Fund	504,715	-
Total	<u>\$ 10,684,783</u>	<u>\$ 10,684,783</u>

NOTE 9. BONDS PAYABLE

On May 18, 2020, the Agency issued "San Joaquin Area Flood Control Agency, California Smith Canal Area Assessment District Assessment Revenue Bonds, Series 2020." The proceeds are to be used in the construction of improvements to provide protection from flood flows within the Smith Canal area of San Joaquin County, known generally as the Smith Canal Gate Project. The principal amount was \$23,435,000, less underwriter discount of \$107,801, plus premium of \$580,306. The bonds bear interest from 3%-5%, with payments due semiannually on April 1 and October 1, commencing October 1, 2020. Source of payment for the bonds will come from assessments levied by the Agency, and collected by San Joaquin County on behalf of the Agency. Bond payable as of June 30, 2021 was \$23,085,962.

The bonds maturing on or after October 1, 2031 are subject to optional redemption prior to their stated maturities, on any date on or after October 1, 2030, in whole or in part, at a redemption price equal to the principal amount of the bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 9. BONDS PAYABLE (CONTINUED)

Mandatory Sinking Payment Redemption

The bonds maturing on October 1, 2040 are subject to mandatory sinking payment redemption in part by lot on October 1, 2036, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

Redemption Date (October 1)	Sinking Payments
2036	\$ 745,000
2037	770,000
2038	795,000
2039	820,000
2040 (maturity)	845,000

The bonds maturing on October 1, 2045 are subject to mandatory sinking payment redemption in part by lot on October 1, 2041, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

Redemption Date (October 1)	Sinking Payments
2041	\$ 875,000
2042	905,000
2043	935,000
2044	965,000
2045 (maturity)	1,000,000

The bonds maturing on October 1, 2050 are subject to mandatory sinking payment redemption in part by lot on October 1, 2046, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9. BONDS PAYABLE (CONTINUED)

Redemption Date (October 1)	Sinking Payments
2046	\$ 1,035,000
2047	1,065,000
2048	1,105,000
2049	1,140,000
2050 (maturity)	1,180,000

The estimated annual requirements to amortize the bonds payable as of June 30, 2021, are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2022	\$ 400,000	\$ 816,656	\$ 1,216,656
2023	420,000	800,656	1,220,656
2024	435,000	783,856	1,218,856
2025	455,000	766,456	1,221,456
2026	475,000	743,706	1,218,706
2027-2030	2,155,000	2,724,827	4,879,827
2031-2035	3,280,000	2,803,831	6,083,831
2036-2040	3,855,000	2,241,256	6,096,256
2041-2045	4,525,000	1,568,318	6,093,318
2046-2050	5,345,000	752,119	6,097,119
2051	1,180,000	39,825	1,219,825
Subtotal	22,525,000	14,351,924	37,786,924
Plus bond premium	560,962	-	560,962
Total liability	<u>\$ 23,085,962</u>	<u>\$ 14,351,924</u>	<u>\$ 38,347,886</u>

Accrued interest on the bonds at June 30, 2021 was \$204,164.

NOTE 10. SUBSEQUENT EVENTS

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 6, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 43,730	\$ 43,730
Investment earnings - unrealized gain	-	-	4,572	4,572
Total revenue	<u>-</u>	<u>-</u>	<u>48,302</u>	<u>48,302</u>
Expenditures:				
Maintenance and operations	-	-	12,018	(12,018)
Agency management	159,963	159,963	141,840	18,123
Total expenditures	<u>159,963</u>	<u>159,963</u>	<u>153,858</u>	<u>6,105</u>
Other financing sources (uses):				
Transfers in (out)	-	-	(8,684,783)	(8,684,783)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,684,783)</u>	<u>(8,684,783)</u>
Net change in fund balance	<u>\$ (159,963)</u>	<u>\$ (159,963)</u>	<u>(8,790,339)</u>	<u>\$ (8,630,376)</u>
Fund balance, beginning			11,322,090	
Fund balance, ending			<u>\$ 2,531,751</u>	

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Maintenance and Operations Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Assessments	\$ 944,985	\$ 944,985	\$ 945,479	\$ 494
Investment earnings - interest	-	-	27,461	27,461
Investment earnings - unrealized (loss)	-	-	(33,510)	(33,510)
Total revenue	<u>944,985</u>	<u>944,985</u>	<u>939,430</u>	<u>(5,555)</u>
Expenditures:				
Maintenance and operations	-	1,050,000	991,728	58,272
Agency management	-	159,963	123,866	36,097
Total expenditures	<u>-</u>	<u>1,209,963</u>	<u>1,115,594</u>	<u>94,369</u>
Other financing sources (uses):				
Transfers in (out)	-	-	5,485	5,485
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,485</u>	<u>5,485</u>
Net change in fund balance	<u>\$ 944,985</u>	<u>\$ (264,978)</u>	<u>(170,679)</u>	<u>\$ 94,299</u>
Fund balance, beginning			5,242,167	
Fund balance, ending			<u>\$ 5,071,488</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Smith Canal Assessment and Closure Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Assessments	\$ 1,699,893	\$ 1,699,893	\$ 1,695,272	\$ (4,621)
Other government agency aid	11,559,198	11,559,198	12,737,229	1,178,031
Investment earnings - interest	-	-	90,067	90,067
Investment earnings - unrealized (loss)	-	-	(44,419)	(44,419)
Total revenue	<u>13,259,091</u>	<u>13,259,091</u>	<u>14,478,149</u>	<u>1,219,058</u>
Expenditures:				
Maintenance and operations	21,565,222	21,565,222	22,047,788	(482,566)
Agency management	639,851	639,851	587,893	51,958
Debt service:				
Principal	-	-	910,000	
Interest and other charges	-	-	718,746	
Total expenditures	<u>22,205,073</u>	<u>22,205,073</u>	<u>24,264,427</u>	<u>(430,608)</u>
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>5,024,914</u>	<u>5,024,914</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,024,914</u>	<u>5,024,914</u>
Net change in fund balance	<u>\$ (8,945,982)</u>	<u>\$ (8,945,982)</u>	<u>(4,761,364)</u>	<u>\$ 5,813,364</u>
Fund balance, beginning			28,358,762	
Fund balance, ending			<u>\$ 23,597,398</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Mossdale Tract and Levee Impact Fees Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Investment earnings - interest	\$ 73,225	\$ 73,225	\$ 16,189	\$ (57,036)
Investment earnings - unrealized (loss)	-	-	(31,185)	(31,185)
Other government agency aid	3,450,000	3,450,000	4,885,604	1,435,604
Grants	3,215,553	3,215,553	100,000	(3,115,553)
Total revenue	<u>6,738,778</u>	<u>6,738,778</u>	<u>4,970,608</u>	<u>(1,768,170)</u>
Expenditures:				
Maintenance and operations	5,504,142	5,504,142	907,841	4,596,301
Agency management	479,888	479,888	454,633	25,255
Total expenditures	<u>5,984,030</u>	<u>5,984,030</u>	<u>1,362,474</u>	<u>4,621,556</u>
Other financing sources (uses):				
Transfers in (out)	-	-	2,451	2,451
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,451</u>	<u>2,451</u>
Net change in fund balance	<u>\$ 754,748</u>	<u>\$ 754,748</u>	3,610,585	<u>\$ 2,855,837</u>
Fund balance, beginning			2,164,433	
Fund balance, ending			<u>\$ 5,775,018</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Lower SJ River Project Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 8,737	\$ 8,737
Investment earnings - unrealized (loss)	-	-	(7,218)	(7,218)
Total revenue	<u>-</u>	<u>-</u>	<u>1,519</u>	<u>1,519</u>
Expenditures:				
Maintenance and operations	504,654	504,654	648,297	(143,643)
Agency management	79,981	79,981	72,316	7,665
Total expenditures	<u>584,635</u>	<u>584,635</u>	<u>720,613</u>	<u>(135,978)</u>
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>3,147,218</u>	<u>3,147,218</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,147,218</u>	<u>3,147,218</u>
Net change in fund balance	<u>\$ (584,635)</u>	<u>\$ (584,635)</u>	2,428,124	<u>\$ 3,012,759</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ 2,428,124</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Regional Flood Management Program Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 1,061	\$ 1,061
Investment earnings - unrealized (loss)	-	-	(4,660)	(4,660)
Other government agency aid	850,000	850,000	194,585	(655,415)
Total revenue	<u>850,000</u>	<u>850,000</u>	<u>190,986</u>	<u>(659,014)</u>
Expenditures:				
Maintenance and operations	770,000	770,000	206,383	563,617
Agency management	80,000	80,000	55,638	24,362
Total expenditures	<u>850,000</u>	<u>850,000</u>	<u>262,021</u>	<u>587,979</u>
Other financing sources (uses):				
Transfers in (out)	-	-	504,715	504,715
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>504,715</u>	<u>504,715</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	433,680	<u>\$ 433,680</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ 433,680</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1. BUDGETARY INFORMATION

A. Budget Policy and Practice

The San Joaquin Area Flood Control Agency (the Agency) submits an annual budget to the Board of Directors. The Board of Directors formally approves the annual budget in accordance with the by-laws established by the joint power agency agreement. The Board of Directors is to prepare and adopt a budget within the first 90 days of the fiscal year.

B. Basis of Budgeting

The budget is prepared under accounting principles generally accepted in the United States of America basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: maintenance and operations, administration costs, and real estate planning and acquisition costs. Expenditures may not exceed appropriations at this level.

NOTE 2. EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2021, the Agency has expenditures over appropriations as follows:

General Fund

Maintenance and operations	\$ (12,018)
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Smith Canal Assessment and Closure Fund

Maintenance and operations	\$ (482,566)
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Lower SJ River Project Fund

Maintenance and operations	\$ (143,643)
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ADDITIONAL INFORMATION



**INDEPENDENT AUDITORS' 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***

To the Board of Directors
San Joaquin Area Flood Control Agency
Stockton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Joaquin Area Flood Control Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Philip Lantsberger, CPA
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Nikolas A. Torres, CPA

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 determination of financial statement amounts. 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Stockton, California
December 6, 2021

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weakness?	No
Noncompliance material to the financial statements noted?	No

Section II – Summary of Material Weaknesses

None

Section III – Summary of Significant Deficiencies

None

Section IV – Review of Prior Year Material Weaknesses and Significant Deficiencies

None