



December 29, 2023

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

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of San Joaquin Area Flood Control Agency (the Agency) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 18, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in the notes to the financial statements. As described in Note 2, the Agency changed accounting policies related to leases by adopting FASB Accounting Standards Update (ASU) 2016-02, "Leases", effective July 1, 2023. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation and amortization, which is based on useful lives.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The total impact of these misstatements was an understatement of accounts payable and assessment income of \$56,908 and 21,979, respectively, and an overstatement of accrued payroll of \$20,519. The net effect of these items is an overstatement of net position of \$14,410. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

In addition, corrected misstatements that were made as a result of our audit procedures resulted in \$2,568,388 decrease in net assets.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 18, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the board of directors and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Schwartz, Giannini, Lantberger & Adamson*

Stockton, California  
December 29, 2023

**SAN JOAQUIN AREA  
FLOOD CONTROL AGENCY  
FINANCIAL STATEMENTS  
JUNE 30, 2023**

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## INDEPENDENT AUDITORS' REPORT



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

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2023, 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.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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 Agency'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.

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## Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Agency'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 Agency'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 on pages 4-13 and 33-40, respectively, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, 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 that 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.

A handwritten signature in blue ink that reads "Schwatz, Giannini, Lantberger & Adamson". The signature is written in a cursive, flowing style.

Stockton, California  
December 29, 2023



## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023. 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, 2023, the Agency has received \$32,933,185 of Federal reimbursement. The reimbursement from 2019 has been the source of funding for local cost-share for design of the first few reaches of the Lower San Joaquin River Project Basin, Lower San Joaquin River, California 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 2022-23 is the ninth 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 of communities of south Stockton, Lathrop, Manteca, and some unincorporated areas of San Joaquin County.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 the 2023 fiscal year, \$2,039,184 was paid from the Assessment District to service the 2020 revenue bond used for construction of the Smith Canal Gate Project.

In FY 2022-23 Development Impact Fee revenue collected through SJAFCA's member agencies was \$2,506,944.

On July 21, 2022, the Board of Directors of the Mossdale Tract Enhanced Infrastructure Financing District Public Finance Authority (Authority) approved resolution to adopt the Infrastructure Financing Plan and formed the Mossdale Tract Enhanced Infrastructure Financing District (District). The EIFD will finance public flood control facilities including, but not limited to, public flood risk reduction infrastructure associated with ensuring that the resulting levee system complies with the Urban Levee Design Criteria promulgated by the California Department of Water Resources (DWR), SJAFCA's Resolution No. 19-06 and SJAFCA's Adopted Policy for Adapting Design Standards for the Mossdale Tract Area of SJAFCA in light of Climate Change. When completed and operational, the EIFD, in conjunction with San Joaquin County, City of Lathrop, City of Manteca, and City of Stockton, will use incremental participating taxing entity property tax revenue attributed to properties within the EIFD boundaries to finance flood risk reduction facilities in Mossdale Tract. For Fiscal Year 2022-23, no projects planned within the District commenced construction. The Authority received \$925,309 of tax increment revenue in June 2023, and had no expenses during fiscal year 2022-2023. Activities of the Authority are included in the accompanying financial statement.

Also, because the Authority received tax increment funds at the end of FY 2022-23, and the sole purpose of the District is to provide funds for SJAFCA Mossdale Tract Program, SJAFCA and the Authority entered into a Memorandum of Understanding (MOU) on May 18, 2023, to move funds from the Authority to SJAFCA. With this MOU in place, the Authority will be able to budget expenses and fund the Mossdale Tract Program on an on-going basis. Through coordination with the San Joaquin County Auditor Controller, as part of a final tax apportionment for the Fiscal Year 2023-24, these funds will be budgeted as part of available fund balance in Fiscal Year 2023-24.

The Fiscal Year 2022-2023 Budget was adopted by SJAFCA Board of Directors on June 16, 2022. 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".

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 first few reaches of the Lower San Joaquin River Project Basin, Lower San Joaquin River, California Project. The design agreement specifically allowed USACE Sacramento District to begin the preconstruction, engineering, and design phase of the project.

On September 30, 2022, the United States Army Corps of Engineers (Corps), and the Central Valley Flood Protection Board (in collaboration with the California Department of Water Resources) entered into a Feasibility Cost-Share Agreement (Study) with SJAFCA. The Study will investigate the Federal interest by evaluating the benefits and costs of a range of alternatives to address the flood risk, and ecosystem restoration opportunities, in the Mossdale Tract area.

Feasibility study costs are shared with USACE, the State, and the Corps and sponsor signing a Feasibility Cost Share Agreement that describes the study cost share arrangement, feasibility study scope, schedule and study cost estimate. The cost-sharing for the study is based on a 50% contribution by the federal government, with the non-federal sponsors' (Board and SJAFCA) 50% contribution provided in cash and in-kind contributions. Currently, the Mossdale Tract Project is estimated to cost \$7.1 million and last for 4.5 years. In Fiscal Year 2022/2023, SJAFCA made an initial payment of \$425,000 to USACE to initiate the Study, including preparation of the Project Management Plan.

On March 16, 2023, the Board Adopted Resolution No. 23-07 which started the formation process of Levee Construction and Maintenance Assessment (LCMA) District. The Board also adopted Resolution No. 23-08 which formalized procedures for protest ballot proceeding consistent with the provisions of Article XIII D of the California Constitution, the Proposition 218 Omnibus Implementation Act, Government Code 53750 et seq., and the Benefit Assessment Act of 1982, Government Code 54703 et seq. The purpose of the LCMA District is to fund the cost of constructing levee and flood control improvements incident to the Lower San Joaquin River Project and Federal Emergency Management Agency accredited levees either directly or in partnership with the United States Army Corps of Engineers and the State of California, as well as costs of the operation and maintenance of levees and flood control facilities (collectively, the "Services"). During April, May and June of 2023, the Agency conducted an assessment ballot proceeding, pursuant to Proposition 218, in which the landowners that would be specially benefited by the Services were provided by mail with notice of the proposed special assessment and public hearing and also provided the opportunity to complete a ballot as to whether the Agency should form the proposed LCMA Assessment District and levy the assessment.

Upon conclusion of the public hearing on June 8, 2023, the Board of Directors adopted a resolution which directed completion of the ballot tabulation for the formation of the LCMA District. The results were presented at the Board's June 15, 2023, regular meeting. Since the results of the Prop 218 Ballot showed a successful outcome, the Board of Directors also authorized the issuance and sale of Assessment Revenue Bonds to finance flood control improvements for the LCMA District. On August 2, 2023, the sale of two series of bonds resulted in the aggregate principal amount of \$27,730,000. Activity of the revenue bonds will be included in the fiscal year 2023-24 financial statement audit.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

**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. 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.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

*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:** provides 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, 2023

**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 \$41,069,912 (\$64,312,028 - \$23,242,116) as of June 30, 2023, and net position decreased by \$3,576,996 (\$41,069,912 - \$44,646,908) compared with the prior year:

**STATEMENTS OF NET POSITION**

|                                           | <b><u>2023</u></b>          | <b><u>2022</u></b>          |
|-------------------------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                             |                             |                             |
| Current assets                            | \$ 30,375,648               | \$ 36,388,487               |
| Capital assets                            | 33,936,380                  | 34,837,498                  |
| <b>TOTAL ASSETS</b>                       | <b><u>64,312,028</u></b>    | <b><u>71,225,985</u></b>    |
| <b>LIABILITIES</b>                        |                             |                             |
| Current liabilities                       | 1,884,842                   | 4,332,459                   |
| Noncurrent liabilities                    | 21,357,274                  | 22,246,618                  |
| <b>TOTAL LIABILITIES</b>                  | <b><u>23,242,116</u></b>    | <b><u>26,579,077</u></b>    |
| <b>NET POSITION</b>                       |                             |                             |
| Net investment in capital assets          | 12,144,106                  | 11,970,716                  |
| Restricted for maintenance and operations | 5,900,129                   | 5,337,203                   |
| Unrestricted                              | 23,025,677                  | 27,338,989                  |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 41,069,912</u></b> | <b><u>\$ 44,646,908</u></b> |

The Agency's capital net position for the year ended June 30, 2023: Land and Easements of \$9,678,245, and Flood Control Infrastructure (net of depreciation) of \$24,258,135, totaling \$33,936,380, represent approximately 53% of the Agency's total assets (see Capital Assets table on page 12). 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, 2023 and 2022:

SAN JOAQUIN AREA FLOOD CONTROL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

**STATEMENTS OF ACTIVITIES**

|                                    | <u>2023</u>                 | <u>2022</u>                 |
|------------------------------------|-----------------------------|-----------------------------|
| <b>REVENUES</b>                    |                             |                             |
| Assessments                        | \$ 3,675,278                | \$ 2,674,867                |
| Aid from other government agencies | 10,041,961                  | 18,734,151                  |
| Investment earnings, net           | 864,256                     | (447,691)                   |
| Total revenue                      | <u>14,581,495</u>           | <u>20,961,327</u>           |
| <b>EXPENSES</b>                    |                             |                             |
| Operation and maintenance          | 15,491,305                  | 26,777,431                  |
| Agency management                  | 1,689,704                   | 1,453,089                   |
| Interest and other charges         | 977,482                     | 796,968                     |
| Total expenses                     | <u>18,158,491</u>           | <u>29,027,488</u>           |
| Change in net position             | <u>(3,576,996)</u>          | <u>(8,066,161)</u>          |
| <b>NET POSITION</b>                |                             |                             |
| Net position, beginning of year    | 44,646,908                  | 52,713,069                  |
| Net position, end of year          | <u><u>\$ 41,069,912</u></u> | <u><u>\$ 44,646,908</u></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 decreased from \$20,961,327 in fiscal year 2022 to \$14,581,495 in fiscal year 2023. Expenses decreased from \$29,027,488 in fiscal year 2022 to \$18,158,491 in fiscal year 2023. The decrease is associated with program activities and the construction completion phase of the Smith Canal Gate.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

**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 \$1,452,900, which includes a \$100,000 contingency allocation for emergencies, was considered appropriate for fiscal year 2022-23 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 \$6 million on June 30, 2023.

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 2022-23 was \$1,036,426.

**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, 2023, is \$33,936,380. 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, 2023.



## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

**CAPITAL ASSETS**(net of accumulated depreciation)

|                            | <u>2023</u>          | <u>2022</u>          |
|----------------------------|----------------------|----------------------|
| Land and easements         | \$ 9,678,245         | \$ 9,678,245         |
| Infrastructure assets, net | <u>24,258,135</u>    | <u>25,159,253</u>    |
| Total                      | <u>\$ 33,936,380</u> | <u>\$ 34,837,498</u> |

Total accumulated depreciation as of June 30, 2023, is \$20,800,469. Therefore, the net infrastructure assets are \$24,258,135 (\$45,058,604 - \$20,800,469). 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. Construction of the Smith Canal Gate project continued in 2023 and will be substantially completed in 2024.

**SAN JOAQUIN AREA FLOOD CONTROL AGENCY****MANAGEMENT'S DISCUSSION AND ANALYSIS****JUNE 30, 2023**

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 \$1.4 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 the Spring of 2024, with completion in 2037.

**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, 2023

|                                           | <u>Governmental<br/>Activities</u> |
|-------------------------------------------|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Current assets:                           |                                    |
| Cash and cash equivalents                 | \$ 25,734,261                      |
| Interest income receivable                | 231,234                            |
| Receivable - State of California          | 4,121,082                          |
| Prepaid expenses                          | 289,071                            |
| Total current assets                      | <u>30,375,648</u>                  |
| Capital assets:                           |                                    |
| Land and easements                        | 9,678,245                          |
| Infrastructure assets, net                | 24,258,135                         |
| Total capital assets                      | <u>33,936,380</u>                  |
| Total assets                              | <u><u>64,312,028</u></u>           |
| <b>LIABILITIES AND NET POSITION</b>       |                                    |
| Current liabilities:                      |                                    |
| Accounts payable                          | 1,030,891                          |
| Accrued payroll                           | 108,951                            |
| Bonds payable, current maturity           | 435,000                            |
| Member agency loans                       | 310,000                            |
| Total current liabilities                 | <u>1,884,842</u>                   |
| Noncurrent liabilities:                   |                                    |
| Bonds payable, net of current maturity    | 21,357,274                         |
| Total noncurrent liabilities              | <u>21,357,274</u>                  |
| Net position:                             |                                    |
| Net investment in capital assets          | 12,144,106                         |
| Restricted for maintenance and operations | 5,900,129                          |
| Unrestricted                              | 23,025,677                         |
| Total net position                        | <u>41,069,912</u>                  |
| Total liabilities and net position        | <u><u>\$ 64,312,028</u></u>        |

See accompanying notes to basic financial statements.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

| Functions / Programs                  | Program Expenses     | Program Revenues                   |                                  | Net (Expense) Revenue |
|---------------------------------------|----------------------|------------------------------------|----------------------------------|-----------------------|
|                                       |                      | Operating Grants and Contributions | Capital Grants and Contributions |                       |
| Governmental activities:              |                      |                                    |                                  |                       |
| Operations and maintenance            | \$ 15,491,305        | \$ 10,041,961                      | \$ -                             | \$ (5,449,344)        |
| Agency management                     | 1,689,704            | -                                  | -                                | (1,689,704)           |
| Interest and other charges            | 977,482              | -                                  | -                                | (977,482)             |
| Total governmental activities         | <u>\$ 18,158,491</u> | <u>\$ 10,041,961</u>               | <u>\$ -</u>                      | <u>\$ (8,116,530)</u> |
| General revenues:                     |                      |                                    |                                  |                       |
| Assessments                           |                      |                                    |                                  | \$ 3,675,278          |
| Investment earnings - interest        |                      |                                    |                                  | 683,367               |
| Investment earnings - unrealized gain |                      |                                    |                                  | <u>180,889</u>        |
| Total general revenues                |                      |                                    |                                  | <u>4,539,534</u>      |
| Change in net position                |                      |                                    |                                  | (3,576,996)           |
| Net position, beginning of year       |                      |                                    |                                  | <u>44,646,908</u>     |
| Net position, end of year             |                      |                                    |                                  | <u>\$ 41,069,912</u>  |

See accompanying notes to basic financial statements.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

|                                                | General<br>Fund    | Maintenance<br>and Operations<br>Fund | Smith Canal<br>Assessment &<br>Closure Funds | Mossdale Tract<br>& Levee Impact<br>Fees Funds | Lower SJ<br>River Project<br>Fund | Regional<br>Flood Mgmt<br>Program Fund | Paradise Cut<br>Fund | Mossdale<br>EIFD  | Total<br>Governmental<br>Funds |
|------------------------------------------------|--------------------|---------------------------------------|----------------------------------------------|------------------------------------------------|-----------------------------------|----------------------------------------|----------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                                  |                    |                                       |                                              |                                                |                                   |                                        |                      |                   |                                |
| Cash and cash equivalents                      | \$2,247,079        | \$ 5,948,128                          | \$ 7,355,773                                 | \$ 6,780,425                                   | \$2,276,833                       | \$ 112,762                             | \$ 101,935           | \$ 911,326        | \$25,734,261                   |
| Interest income receivable                     | 18,216             | 52,627                                | 78,173                                       | 64,292                                         | 13,537                            | 859                                    | 894                  | 2,636             | 231,234                        |
| Receivable - State of California               | -                  | -                                     | 3,175,667                                    | 675,669                                        | -                                 | 269,746                                | -                    | -                 | 4,121,082                      |
| <b>TOTAL ASSETS</b>                            | <u>2,265,295</u>   | <u>6,000,755</u>                      | <u>10,609,613</u>                            | <u>7,520,386</u>                               | <u>2,290,370</u>                  | <u>383,367</u>                         | <u>102,829</u>       | <u>913,962</u>    | <u>30,086,577</u>              |
| <b>LIABILITIES</b>                             |                    |                                       |                                              |                                                |                                   |                                        |                      |                   |                                |
| Accounts payable                               | (1,890)            | 87,461                                | 579,517                                      | 229,308                                        | 130,979                           | 5,516                                  | -                    | -                 | 1,030,891                      |
| Accrued payroll                                | (9,534)            | 13,165                                | 52,660                                       | 39,495                                         | 6,583                             | 6,582                                  | -                    | -                 | 108,951                        |
| Member agency loans                            | -                  | -                                     | -                                            | 310,000                                        | -                                 | -                                      | -                    | -                 | 310,000                        |
| <b>Total liabilities</b>                       | <u>(11,424)</u>    | <u>100,626</u>                        | <u>632,177</u>                               | <u>578,803</u>                                 | <u>137,562</u>                    | <u>12,098</u>                          | <u>-</u>             | <u>-</u>          | <u>1,449,842</u>               |
| <b>FUND BALANCES</b>                           |                    |                                       |                                              |                                                |                                   |                                        |                      |                   |                                |
| Restricted                                     | -                  | 5,900,129                             | -                                            | -                                              | -                                 | -                                      | -                    | -                 | 5,900,129                      |
| Assigned                                       | -                  | -                                     | 9,977,436                                    | 6,941,583                                      | 2,152,808                         | 371,269                                | 102,829              | 913,962           | 20,459,887                     |
| Unassigned                                     | 2,276,719          | -                                     | -                                            | -                                              | -                                 | -                                      | -                    | -                 | 2,276,719                      |
| <b>Total fund balances</b>                     | <u>2,276,719</u>   | <u>5,900,129</u>                      | <u>9,977,436</u>                             | <u>6,941,583</u>                               | <u>2,152,808</u>                  | <u>371,269</u>                         | <u>102,829</u>       | <u>913,962</u>    | <u>28,636,735</u>              |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u>\$2,265,295</u> | <u>\$ 6,000,755</u>                   | <u>\$ 10,609,613</u>                         | <u>\$ 7,520,386</u>                            | <u>\$2,290,370</u>                | <u>\$ 383,367</u>                      | <u>\$ 102,829</u>    | <u>\$ 913,962</u> | <u>\$30,086,577</u>            |

See accompanying notes to 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, 2023

Total Fund Balances - Governmental Funds \$ 28,636,735

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>(20,800,469)</u> |            |
|                                            |                     | 33,936,380 |

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.

(21,503,203)

Net Position of Governmental Activities \$ 41,069,912

See accompanying notes to basic financial statements.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN GOVERNMENTAL FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023

|                                                   | General<br>Fund | Maintenance<br>and Operations<br>Fund | Smith Canal<br>Assessment &<br>Closure Funds | Mossdale Tract<br>& Levee Impact<br>Fees Funds | Lower SJ<br>River Project<br>Fund | Regional<br>Flood Mgmt<br>Program Fund | Paradise Cut<br>Fund | Mossdale<br>EIFD | Total<br>Governmental<br>Funds |
|---------------------------------------------------|-----------------|---------------------------------------|----------------------------------------------|------------------------------------------------|-----------------------------------|----------------------------------------|----------------------|------------------|--------------------------------|
| Revenues:                                         |                 |                                       |                                              |                                                |                                   |                                        |                      |                  |                                |
| Assessments                                       | \$ -            | \$ 1,035,944                          | \$ 1,714,025                                 | \$ -                                           | \$ -                              | \$ -                                   | \$ -                 | \$ 925,309       | \$ 3,675,278                   |
| Investment earnings - interest                    | 48,720          | 139,329                               | 245,964                                      | 198,930                                        | 40,643                            | 4,851                                  | 2,294                | 2,636            | 683,367                        |
| Investment earnings - unrealized gain (loss)      | (2,791)         | 3,779                                 | 163,554                                      | 17,710                                         | 8,970                             | 5,047                                  | (1,397)              | (13,983)         | 180,889                        |
| Other government agency aid                       | -               | -                                     | 4,742,829                                    | 4,144,865                                      | 900,000                           | 246,772                                | -                    | -                | 10,034,466                     |
| Miscellaneous income                              | 5,625           | 190                                   | 939                                          | 570                                            | 75                                | 96                                     | -                    | -                | 7,495                          |
| Total revenues, net                               | 51,554          | 1,179,242                             | 6,867,311                                    | 4,362,075                                      | 949,688                           | 256,766                                | 897                  | 913,962          | 14,581,495                     |
| Expenditures:                                     |                 |                                       |                                              |                                                |                                   |                                        |                      |                  |                                |
| Current operating:                                |                 |                                       |                                              |                                                |                                   |                                        |                      |                  |                                |
| Maintenance and operations                        | 10,608          | 407,050                               | 8,680,912                                    | 4,871,495                                      | 428,326                           | 190,596                                | 1,200                | -                | 14,590,187                     |
| Agency management                                 | 223,181         | 154,512                               | 608,082                                      | 476,466                                        | 126,308                           | 98,490                                 | 2,665                | -                | 1,689,704                      |
| Debt service:                                     |                 |                                       |                                              |                                                |                                   |                                        |                      |                  |                                |
| Principal                                         | -               | -                                     | 855,000                                      | -                                              | -                                 | -                                      | -                    | -                | 855,000                        |
| Interest and other charges                        | -               | -                                     | 1,186,284                                    | -                                              | -                                 | -                                      | -                    | -                | 1,186,284                      |
| Total expenditures                                | 233,789         | 561,562                               | 11,330,278                                   | 5,347,961                                      | 554,634                           | 289,086                                | 3,865                | -                | 18,321,175                     |
| Excess (deficiency) of revenues over expenditures | (182,235)       | 617,680                               | (4,462,967)                                  | (985,886)                                      | 395,054                           | (32,320)                               | (2,968)              | 913,962          | (3,739,680)                    |
| Other financing sources (uses):                   |                 |                                       |                                              |                                                |                                   |                                        |                      |                  |                                |
| Transfers in (out)                                | 493,564         | (54,754)                              | (203,691)                                    | (386,568)                                      | (97,194)                          | 152,685                                | 95,958               | -                | -                              |
| Total other financing sources (uses)              | 493,564         | (54,754)                              | (203,691)                                    | (386,568)                                      | (97,194)                          | 152,685                                | 95,958               | -                | -                              |
| Net change in fund balances                       | 311,329         | 562,926                               | (4,666,658)                                  | (1,372,454)                                    | 297,860                           | 120,365                                | 92,990               | 913,962          | (3,739,680)                    |
| Fund balances, beginning                          | 1,965,390       | 5,337,203                             | 14,644,094                                   | 8,314,037                                      | 1,854,948                         | 250,904                                | 9,839                | -                | 32,376,415                     |
| Fund balances, ending                             | \$ 2,276,719    | \$ 5,900,129                          | \$ 9,977,436                                 | \$ 6,941,583                                   | \$ 2,152,808                      | \$ 371,269                             | \$ 102,829           | \$ 913,962       | \$ 28,636,735                  |

See accompanying notes to basic financial statements.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN GOVERNMENTAL FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Net changes in Fund Balances - Governmental Funds \$ (3,739,680)

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 | (901,118) | (901,118) |
|----------------------|-----------|-----------|

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.

1,063,802

|                                                    |                |
|----------------------------------------------------|----------------|
| Changes in Net Position of Governmental Activities | \$ (3,576,996) |
|----------------------------------------------------|----------------|

See accompanying notes to basic financial statements.



## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## 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 annual special 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 of 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, 2023

## 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, 2023

## 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 the California Department of Water Resources (DWR) Regional Flood Management Program.

Paradise Cut – This fund was created for accounting in support of funding agreement with California DWR for the Paradise Cut Expansion and the South Delta Restoration Project. The project incorporates an expanded flood bypass, flood risk reduction, channel dredging to increase water supply reliability for in-Delta users, and floodplain, wetland, and riparian habitat enhancements to help restore the landscape-scale ecosystem functions necessary for climate change resilience.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mossdale Tract Enhanced Infrastructure Financing District (EIFD) Public Finance Authority – On July 2022, the resolution was approved to adopt the Infrastructure Financing Plan and form the Mossdale Tract Enhanced Infrastructure Financing District. Through the District, the cities of Stockton, Lathrop and Manteca and San Joaquin County committed a portion of the new property tax revenues from within the District boundary to flood protection improvements. The Authority will use the incremental participating taxing entity property tax revenue from properties within the District boundary to help finance the local cost share for a project to provide 200-year flood protection to properties within the District boundary.

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."

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1<sup>st</sup> and delinquent with penalties after December 10<sup>th</sup>; the second is due February 1<sup>st</sup> and delinquent with penalties after April 10<sup>th</sup>. Secured property with unpaid taxes incurs a lien on January 1<sup>st</sup> preceding the fiscal year for which taxes are levied. Property taxes on the unsecured roll are due on the January 1<sup>st</sup> lien date and become delinquent if unpaid on August 31<sup>st</sup>.

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.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Effective July 1, 2022, the Agency recognizes and measures its material leases in accordance with ASU 2016-02, *Leases*. The Agency determines if an arrangement is a lease, or contains a lease, at inception of a contract or when the terms of an existing contract are changed. The Agency recognizes a lease asset for its right to use (ROU) the underlying leased asset and a lease liability for the corresponding lease obligation. The right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

In determining the present value of lease payments, the Agency uses as a discount rate the implicit rate if it is readily determinable, otherwise the Agency uses an estimate of its incremental borrowing rate. The incremental borrowing rate for a lease is the rate of interest the Agency would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), and, if any, the following: plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The Agency considers the lease term to be the noncancelable period that it has to use the underlying asset. The Agency had no material leases as of June 30, 2023.

In accordance with ASU 2016-02, the Agency has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Agency is reasonably certain to exercise. The Agency recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

## 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 \$25,590,025 as of June 30, 2023.

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.

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.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## NOTE 3. DETAILED NOTES ON FUNDS (CONTINUED)

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.

Accounts Payable

Accounts 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.



## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023

## NOTE 3. DETAILED NOTES ON FUNDS (CONTINUED)

Capital Assets

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

|                                | <u>June 30, 2022</u> | <u>Additions</u>    | <u>Deletions</u> | <u>June 30, 2023</u> |
|--------------------------------|----------------------|---------------------|------------------|----------------------|
| 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  | (19,899,351)         | (901,118)           | -                | (20,800,469)         |
| Net depreciable capital assets | <u>25,159,253</u>    | <u>(901,118)</u>    | <u>-</u>         | <u>24,258,135</u>    |
| Net capital assets             | <u>\$ 34,837,498</u> | <u>\$ (901,118)</u> | <u>\$ -</u>      | <u>\$ 33,936,380</u> |

## NOTE 4. FUND BALANCES

Fund balances on the governmental funds balance sheet are presented in the following categories: restricted, assigned, and unassigned (See Note 2 for a description of these categories).

## NOTE 5. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2023, 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 these related parties during the fiscal year ended June 30, 2023, were \$755,513.

The Board of Directors held public hearings to establish the Mossdale Tract Enhanced Infrastructure Finance District (EIFD) and its related Public Finance Authority which was approved on July 2022. The amount received from EIFD tax increment revenue during the fiscal year ended June 30, 2023, was \$925,309.

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

## NOTE 6. COMMITMENTS AND CONTINGENCIES

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 City of Stockton sends a monthly invoice to SJAFCA for the use of office space, equipment, materials and supplies, as well as personnel costs for an employee who works for SJAFCA, but is employed through the City. The invoice is based on a "Cost Sharing Agreement", dated March 21, 1995.

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.

The Agency is periodically a party in matters of litigation and claims resulting from the normal course of business. The Agency believes that the settlement of any outstanding litigation or claims will not have a material effect on the Agency's financial position or results of operations.

## 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, 2023

## 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                     | \$ 493,564          | \$ -                 |
| Maintenance and Operations Fund  | -                   | 54,754               |
| Smith Canal Assessment Fund      | -                   | 206,232              |
| Smith Canal Closure Fund         | 2,541               | -                    |
| Mossdale Tract Fund              | 1,028,409           | -                    |
| Mossdale Levee Impact Fund       | -                   | 1,414,977            |
| Lower SJ River Project Fund      | -                   | 97,194               |
| Regional Flood Mgmt Program Fund | 152,685             | -                    |
| Paradise Cut Fund                | 95,958              | -                    |
| Total                            | <u>\$ 1,773,157</u> | <u>\$ 1,773,157</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 comes from assessments levied by the Agency, and collected by San Joaquin County on behalf of the Agency. Bonds payable as of June 30, 2023, was \$21,792,274.

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, 2023

## 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:

| <u>Redemption Date</u><br><u>(October 1)</u> | <u>Sinking Payments</u> |
|----------------------------------------------|-------------------------|
| 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:

| <u>Redemption Date</u><br><u>(October 1)</u> | <u>Sinking Payments</u> |
|----------------------------------------------|-------------------------|
| 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:

| <u>Redemption Date</u><br><u>(October 1)</u> | <u>Sinking Payments</u> |
|----------------------------------------------|-------------------------|
| 2046                                         | \$ 1,035,000            |
| 2047                                         | 1,065,000               |
| 2048                                         | 1,105,000               |
| 2049                                         | 1,140,000               |
| 2050 (maturity)                              | 1,180,000               |

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023

## NOTE 9. BONDS PAYABLE (CONTINUED)

The estimated annual requirements to amortize the bonds payable as of June 30, 2023, are as follows:

| Year Ended June 30 | Principal            | Interest             | Total<br>Requirements |
|--------------------|----------------------|----------------------|-----------------------|
| 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               | 500,000              | 719,956              | 1,219,956             |
| 2028               | 525,000              | 694,957              | 1,219,957             |
| Thereafter         | 18,880,000           | 8,715,263            | 27,595,263            |
| Subtotal           | 21,270,000           | 12,424,194           | 33,694,194            |
| Plus bond premium  | 522,274              | -                    | 522,274               |
| Total liability    | <u>\$ 21,792,274</u> | <u>\$ 12,424,194</u> | <u>\$ 34,216,468</u>  |

There was no accrued interest on the bonds as of June 30, 2023.

## NOTE 10. SUBSEQUENT EVENTS

On August 2, 2023, the Agency issued two series of bonds in the aggregate principal amount of \$27,730,000 related to Levee Construction and Maintenance Assessment (LCMA) District. The purpose of the LCMA District is to fund the cost of constructing levee and flood control improvements incident to the Lower San Joaquin River Project.

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 29, 2023, 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, 2023

|                                         | <u>General Fund</u>        |                     |                     |                                       |
|-----------------------------------------|----------------------------|---------------------|---------------------|---------------------------------------|
|                                         | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual</u>       | <u>Variance from<br/>Final Budget</u> |
| Revenues:                               |                            |                     |                     |                                       |
| Investment earnings - interest          | \$ -                       | \$ -                | \$ 48,720           | \$ 48,720                             |
| Investment earnings - unrealized (loss) | -                          | -                   | (2,791)             | (2,791)                               |
| Miscellaneous income                    | -                          | -                   | 5,625               | 5,625                                 |
| Total revenues                          | <u>-</u>                   | <u>-</u>            | <u>51,554</u>       | <u>51,554</u>                         |
| Expenditures:                           |                            |                     |                     |                                       |
| Maintenance and operations              | -                          | -                   | 10,608              | (10,608)                              |
| Agency management                       | 177,609                    | 177,609             | 223,181             | (45,572)                              |
| Total expenditures                      | <u>177,609</u>             | <u>177,609</u>      | <u>233,789</u>      | <u>(56,180)</u>                       |
| Other financing sources (uses):         |                            |                     |                     |                                       |
| Transfers in (out)                      | <u>-</u>                   | <u>-</u>            | <u>493,564</u>      | <u>493,564</u>                        |
| Total other financing sources (uses)    | <u>-</u>                   | <u>-</u>            | <u>493,564</u>      | <u>493,564</u>                        |
| Net change in fund balance              | <u>\$ (177,609)</u>        | <u>\$ (177,609)</u> | <u>311,329</u>      | <u>\$ 488,938</u>                     |
| Fund balance, beginning                 |                            |                     | 1,965,390           |                                       |
| Fund balance, ending                    |                            |                     | <u>\$ 2,276,719</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, 2023Maintenance and Operations Fund

|                                       | <u>Original Budget</u> | <u>Final Budget</u>   | <u>Actual</u>       | <u>Variance from<br/>Final Budget</u> |
|---------------------------------------|------------------------|-----------------------|---------------------|---------------------------------------|
| Revenues:                             |                        |                       |                     |                                       |
| Assessments                           | \$ -                   | \$ -                  | \$ 1,035,944        | \$ 1,035,944                          |
| Investment earnings - interest        | -                      | -                     | 139,329             | 139,329                               |
| Investment earnings - unrealized gain | -                      | -                     | 3,779               | 3,779                                 |
| Miscellaneous income                  | -                      | -                     | 190                 | 190                                   |
| Total revenues                        | <u>-</u>               | <u>-</u>              | <u>1,179,242</u>    | <u>1,179,242</u>                      |
| Expenditures:                         |                        |                       |                     |                                       |
| Maintenance and operations            | 1,342,000              | 1,342,000             | 407,050             | 934,950                               |
| Agency management                     | 178,000                | 178,000               | 154,512             | 23,488                                |
| Total expenditures                    | <u>1,520,000</u>       | <u>1,520,000</u>      | <u>561,562</u>      | <u>958,438</u>                        |
| Other financing sources (uses):       |                        |                       |                     |                                       |
| Transfers in (out)                    | <u>-</u>               | <u>-</u>              | <u>(54,754)</u>     | <u>(54,754)</u>                       |
| Total other financing sources (uses)  | <u>-</u>               | <u>-</u>              | <u>(54,754)</u>     | <u>(54,754)</u>                       |
| Net change in fund balance            | <u>\$ (1,520,000)</u>  | <u>\$ (1,520,000)</u> | 562,926             | <u>\$ 2,082,926</u>                   |
| Fund balance, beginning               |                        |                       | 5,337,203           |                                       |
| Fund balance, ending                  |                        |                       | <u>\$ 5,900,129</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, 2023Smith Canal Assessment & Closure Funds

|                                       | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>       | <u>Variance from<br/>Final Budget</u> |
|---------------------------------------|------------------------|---------------------|---------------------|---------------------------------------|
| Revenues:                             |                        |                     |                     |                                       |
| Assessments                           | \$ -                   | \$ -                | \$ 1,714,025        | \$ 1,714,025                          |
| Investment earnings - interest        | -                      | -                   | 245,964             | 245,964                               |
| Investment earnings - unrealized gain | -                      | -                   | 163,554             | 163,554                               |
| Other government agency aid           | 23,073,309             | 23,073,309          | 4,742,829           | (18,330,480)                          |
| Miscellaneous income                  | -                      | -                   | 939                 | 939                                   |
| Total revenues                        | <u>23,073,309</u>      | <u>23,073,309</u>   | <u>6,867,311</u>    | <u>(16,205,998)</u>                   |
| Expenditures:                         |                        |                     |                     |                                       |
| Maintenance and operations            | 20,758,704             | 20,758,704          | 8,680,912           | 12,077,792                            |
| Agency management                     | 611,123                | 611,123             | 608,082             | 3,041                                 |
| Debt service:                         |                        |                     |                     |                                       |
| Principal                             | -                      | -                   | 855,000             | (855,000)                             |
| Interest and other charges            | -                      | -                   | 1,186,284           | (1,186,284)                           |
| Total expenditures                    | <u>21,369,827</u>      | <u>21,369,827</u>   | <u>11,330,278</u>   | <u>10,039,549</u>                     |
| Other financing sources (uses):       |                        |                     |                     |                                       |
| Transfers in (out)                    | -                      | -                   | (203,691)           | (203,691)                             |
| Total other financing sources (uses)  | <u>-</u>               | <u>-</u>            | <u>(203,691)</u>    | <u>(203,691)</u>                      |
| Net change in fund balance            | <u>\$ 1,703,482</u>    | <u>\$ 1,703,482</u> | <u>(4,666,658)</u>  | <u>\$ (6,370,140)</u>                 |
| Fund balance, beginning               |                        |                     | 14,644,094          |                                       |
| Fund balance, ending                  |                        |                     | <u>\$ 9,977,436</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, 2023Mossdale Tract & Levee Impact Fees Funds

|                                       | Original<br>Budget  | Final Budget        | Actual              | Variance from<br>Final Budget |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| Revenues:                             |                     |                     |                     |                               |
| Investment earnings - interest        | \$ 93,225           | \$ 93,225           | \$ 198,930          | \$ 105,705                    |
| Investment earnings - unrealized gain | -                   | -                   | 17,710              | 17,710                        |
| Other government agency aid           | 12,473,551          | 12,473,551          | 4,144,865           | (8,328,686)                   |
| Grants                                | 300,000             | 300,000             | -                   | (300,000)                     |
| Miscellaneous income                  | -                   | -                   | 570                 | 570                           |
| Total revenues                        | <u>12,866,776</u>   | <u>12,866,776</u>   | <u>4,362,075</u>    | <u>(8,504,701)</u>            |
| Expenditures:                         |                     |                     |                     |                               |
| Maintenance and operations            | 9,022,105           | 9,022,105           | 4,871,495           | 4,150,610                     |
| Agency management                     | 444,023             | 444,023             | 476,466             | (32,443)                      |
| Total expenditures                    | <u>9,466,128</u>    | <u>9,466,128</u>    | <u>5,347,961</u>    | <u>4,118,167</u>              |
| Other financing sources (uses):       |                     |                     |                     |                               |
| Transfers in (out)                    | <u>-</u>            | <u>-</u>            | <u>(386,568)</u>    | <u>(386,568)</u>              |
| Total other financing sources (uses)  | <u>-</u>            | <u>-</u>            | <u>(386,568)</u>    | <u>(386,568)</u>              |
| Net change in fund balance            | <u>\$ 3,400,648</u> | <u>\$ 3,400,648</u> | <u>(1,372,454)</u>  | <u>\$ (4,773,102)</u>         |
| Fund balance, beginning               |                     |                     | <u>8,314,037</u>    |                               |
| Fund balance, ending                  |                     |                     | <u>\$ 6,941,583</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, 2023Lower SJ River Project Fund

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u>   | <u>Actual</u>       | <u>Variance from<br/>Final Budget</u> |
|---------------------------------------|----------------------------|-----------------------|---------------------|---------------------------------------|
| Revenues:                             |                            |                       |                     |                                       |
| Investment earnings - interest        | \$ -                       | \$ -                  | \$ 40,643           | \$ 40,643                             |
| Investment earnings - unrealized gain | -                          | -                     | 8,970               | 8,970                                 |
| Other government agency aid           | -                          | -                     | 900,000             | 900,000                               |
| Miscellaneous income                  | -                          | -                     | 75                  | 75                                    |
| Total revenues                        | <u>-</u>                   | <u>-</u>              | <u>949,688</u>      | <u>949,688</u>                        |
| Expenditures:                         |                            |                       |                     |                                       |
| Maintenance and operations            | 2,634,204                  | 2,634,204             | 428,326             | 2,205,878                             |
| Agency management                     | 78,296                     | 78,296                | 126,308             | (48,012)                              |
| Total expenditures                    | <u>2,712,500</u>           | <u>2,712,500</u>      | <u>554,634</u>      | <u>2,157,866</u>                      |
| Other financing sources (uses):       |                            |                       |                     |                                       |
| Transfers in (out)                    | <u>-</u>                   | <u>-</u>              | <u>(97,194)</u>     | <u>(97,194)</u>                       |
| Total other financing sources (uses)  | <u>-</u>                   | <u>-</u>              | <u>(97,194)</u>     | <u>(97,194)</u>                       |
| Net change in fund balance            | <u>\$ (2,712,500)</u>      | <u>\$ (2,712,500)</u> | <u>297,860</u>      | <u>\$ 3,010,360</u>                   |
| Fund balance, beginning               |                            |                       | 1,854,948           |                                       |
| Fund balance, ending                  |                            |                       | <u>\$ 2,152,808</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, 2023Regional Flood Management Program Fund

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u>   | <u>Actual</u>     | <u>Variance from<br/>Final Budget</u> |
|---------------------------------------|----------------------------|-----------------------|-------------------|---------------------------------------|
| Revenues:                             |                            |                       |                   |                                       |
| Investment earnings - interest        | \$ -                       | \$ -                  | \$ 4,851          | \$ 4,851                              |
| Investment earnings - unrealized gain | -                          | -                     | 5,047             | 5,047                                 |
| Other government agency aid           | -                          | -                     | 246,772           | 246,772                               |
| Miscellaneous income                  |                            |                       | 96                | 96                                    |
| Total revenues                        | <u>-</u>                   | <u>-</u>              | <u>256,766</u>    | <u>256,766</u>                        |
| Expenditures:                         |                            |                       |                   |                                       |
| Maintenance and operations            | 1,321,704                  | 1,321,704             | 190,596           | 1,131,108                             |
| Agency management                     | 78,296                     | 78,296                | 98,490            | (20,194)                              |
| Total expenditures                    | <u>1,400,000</u>           | <u>1,400,000</u>      | <u>289,086</u>    | <u>1,110,914</u>                      |
| Other financing sources (uses):       |                            |                       |                   |                                       |
| Transfers in (out)                    | <u>-</u>                   | <u>-</u>              | <u>152,685</u>    | <u>152,685</u>                        |
| Total other financing sources (uses)  | <u>-</u>                   | <u>-</u>              | <u>152,685</u>    | <u>152,685</u>                        |
| Net change in fund balance            | <u>\$ (1,400,000)</u>      | <u>\$ (1,400,000)</u> | <u>120,365</u>    | <u>\$ 1,520,365</u>                   |
| Fund balance, beginning               |                            |                       | 250,904           |                                       |
| Fund balance, ending                  |                            |                       | <u>\$ 371,269</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, 2023

|                                         | <u>Paradise Cut Fund</u>   |                       |                   |                                       |
|-----------------------------------------|----------------------------|-----------------------|-------------------|---------------------------------------|
|                                         | <u>Original<br/>Budget</u> | <u>Final Budget</u>   | <u>Actual</u>     | <u>Variance from<br/>Final Budget</u> |
| Revenues:                               |                            |                       |                   |                                       |
| Investment earnings - interest          | \$ -                       | \$ -                  | \$ 2,294          | \$ 2,294                              |
| Investment earnings - unrealized (loss) | -                          | -                     | (1,397)           | (1,397)                               |
| Total revenues                          | <u>-</u>                   | <u>-</u>              | <u>897</u>        | <u>897</u>                            |
| Expenditures:                           |                            |                       |                   |                                       |
| Maintenance and operations              | 2,790,863                  | 2,790,863             | 1,200             | 2,789,663                             |
| Agency management                       | 209,137                    | 209,137               | 2,665             | 206,472                               |
| Total expenditures                      | <u>3,000,000</u>           | <u>3,000,000</u>      | <u>3,865</u>      | <u>2,996,135</u>                      |
| Other financing sources (uses):         |                            |                       |                   |                                       |
| Transfers in (out)                      | -                          | -                     | 95,958            | 95,958                                |
| Total other financing sources (uses)    | <u>-</u>                   | <u>-</u>              | <u>95,958</u>     | <u>95,958</u>                         |
| Net change in fund balance              | <u>\$ (3,000,000)</u>      | <u>\$ (3,000,000)</u> | 92,990            | <u>\$ 3,092,990</u>                   |
| Fund balance, beginning                 |                            |                       | 9,839             |                                       |
| Fund balance, ending                    |                            |                       | <u>\$ 102,829</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, 2023

|                                         | <u>Mossdale EIFD</u>       |                     |                   |                                       |
|-----------------------------------------|----------------------------|---------------------|-------------------|---------------------------------------|
|                                         | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <u>Variance from<br/>Final Budget</u> |
| Revenues:                               |                            |                     |                   |                                       |
| Assessments                             | \$ -                       | \$ -                | \$ 925,309        | 925,309                               |
| Investment earnings - interest          | -                          | -                   | 2,636             | 2,636                                 |
| Investment earnings - unrealized (loss) | -                          | -                   | (13,983)          | (13,983)                              |
| Total revenues                          | <u>-</u>                   | <u>-</u>            | <u>913,962</u>    | <u>913,962</u>                        |
| Expenditures:                           |                            |                     |                   |                                       |
| Maintenance and operations              | -                          | -                   | -                 | -                                     |
| Agency management                       | -                          | -                   | -                 | -                                     |
| Total expenditures                      | <u>-</u>                   | <u>-</u>            | <u>-</u>          | <u>-</u>                              |
| Other financing sources (uses):         |                            |                     |                   |                                       |
| Transfers in (out)                      | -                          | -                   | -                 | -                                     |
| Total other financing sources (uses)    | <u>-</u>                   | <u>-</u>            | <u>-</u>          | <u>-</u>                              |
| Net change in fund balance              | <u>\$ -</u>                | <u>\$ -</u>         | 913,962           | <u>\$ 913,962</u>                     |
| Fund balance, beginning                 |                            |                     | -                 |                                       |
| Fund balance, ending                    |                            |                     | <u>\$ 913,962</u> |                                       |

See Notes to Required Supplementary Information

## SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

## 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 bylaws 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, 2023, the Agency has expenditures over appropriations as follows:

|                                                     |              |
|-----------------------------------------------------|--------------|
| <u>General Fund</u>                                 |              |
| Maintenance and operations                          | \$ (10,608)  |
| Agency management                                   | \$ (45,572)  |
| <u>Maintenance and Operations Fund</u>              |              |
| Maintenance and operations                          | \$ (407,050) |
| <u>Mossdale Tract &amp; Levee Impact Fees Funds</u> |              |
| Agency management                                   | \$ (32,443)  |
| <u>Lower SJ River Project Fund</u>                  |              |
| Agency management                                   | \$ (48,012)  |
| <u>Regional Flood Management Program Fund</u>       |              |
| Agency management                                   | \$ (20,194)  |

**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, 2023, 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 29, 2023.

**Report on 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) 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 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 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.

Philip Lantsberger, CPA  
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**Report on 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 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 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.

A handwritten signature in blue ink that reads "Schwart, Giannini, Lantberger & Adamson". The signature is written in a cursive, flowing style.

Stockton, California  
December 29, 2023

SAN JOAQUIN AREA FLOOD CONTROL AGENCY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2023

Section I – Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

|                                                                                |    |
|--------------------------------------------------------------------------------|----|
| Material weaknesses identified?                                                | No |
| Significant deficiencies identified not<br>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