

SAN JOAQUIN AREA
FLOOD CONTROL AGENCY

FINANCIAL STATEMENTS

JUNE 30, 2025

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INDEPENDENT AUDITOR'S 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, 2025, 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, 2025, 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 Auditor's 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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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 January 5, 2026, 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.



Stockton, California
January 5, 2026

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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 activities and related finances during the fiscal year July 1, 2024 to June 30, 2025. It should be read in conjunction with the Agency's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Notable accomplishments that preface a discussion of the Agency's financing during the past year as the Agency advances its mission include:

- The acquisition of more than 150 acres of land across 4 different properties supporting required project mitigations for the Agency's largest project, the Lower San Joaquin River (California) Phase 1 Project (LSJRP). The LSJRP is being advanced in partnership with the United State Army Corps of Engineers (USACE) and the State of California Central Valley Flood Protection Board (CVFPB). These acquisitions will allow the project work to continue for many years. An additional property will be acquired from the City of Stockton in early 2026.
- In September 2024, the Agency entered into agreements to advance an inter-basin excess credit transfer with the USACE, the CVFPB, and the Sutter Butte Flood Control Agency. This credit transfer arrangement represents the first of its kind in the nation. The Agency will purchase excess credits from SBFCA at \$0.60 for each \$1 credit generating significant savings to the Agency on its cost share obligation for the LSJRP.
- A ribbon cutting for the Smith Canal Gate Project took place on October 23, 2024. This event represented the culmination of 15 years of planning, design and construction to provide up to 200-year flood protection for approximately 8,500 property owners in the Smith and Weber Tracts. Following this achievement, SJAFCA submitted a Letter of Map Revision (LOMR) to the Federal Emergency Management Agency in January 2025 to remove over 8,000 of the protected properties from the special flood hazard area, which, when final, would no longer require flood insurance for these properties. The LOMR was approved in September 2025 with a planned effective date of February 9, 2026.
- During the Fiscal Year, the Agency worked with San Joaquin County to develop an interim Operations and Maintenance agreement for the Smith Canal Gate during flood season between October and April. The Agency has begun discussions with reclamation districts to establish operations and maintenance agreements for post-construction in perpetuity.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

- The Agency is progressing the Lathrop Manteca Feasibility Study with the USACE with the goal of obtaining federal funding for the Urban Flood Risk Reduction Project in Mossdale Tract Area. Utilizing the \$75 million in state funding received last year, the Agency is advancing the design and environmental review to construct a portion of the project, a dry land levee south of Manteca. The Agency's Regional Levee Development Impact Fee, Overlay Assessment District (OAD), and an Enhanced Infrastructure Finance District (EIFD) were established to provide local funding for this effort. The OAD and EIFD would enable future bond issuance or the Corp Water Infrastructure Financing Program (CWIFP), a federal loan program for levees when appropriate.

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.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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

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

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

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

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

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

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.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

The following table shows that the Agency's assets exceed liabilities by \$38,021,558 (\$67,843,938 - \$29,822,380) as of June 30, 2025, and net position increased by \$2,820,131 (\$38,021,558 - \$35,201,427) compared with the prior year:

STATEMENTS OF NET POSITION

	2025	2024
ASSETS		
Current assets	\$ 34,904,515	\$ 41,304,051
Non-current assets	418,685	-
Capital assets	32,520,738	33,035,262
TOTAL ASSETS	67,843,938	74,339,313
LIABILITIES		
Current liabilities	2,335,405	11,888,421
Noncurrent liabilities	27,486,975	27,249,465
TOTAL LIABILITIES	29,822,380	39,137,886
NET POSITION		
Net investment in capital assets	4,942,233	5,248,149
Restricted for maintenance and operations	7,394,310	6,626,380
Unrestricted	25,685,015	23,326,898
TOTAL NET POSITION	\$ 38,021,558	\$ 35,201,427

The Agency's capital net position for the year ended June 30, 2025: Land and Easements of \$10,031,153, vehicle of \$42,107 and Flood Control Infrastructure (net of depreciation) of \$22,447,478, totaling \$32,520,738, represent approximately 48% of the Agency's total assets (see Capital Assets table on page 27). These capital assets are the flood control improvements constructed by the Agency and are considered assets belonging temporarily to the Agency.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

The following table identifies the changes in net position for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<u>STATEMENTS OF ACTIVITIES</u>		
REVENUES		
Assessments	\$ 11,045,356	\$ 8,589,311
Aid from other government agencies	4,824,253	19,639,518
Investment earnings, net	1,536,064	1,497,240
Total revenue	<u>17,405,673</u>	<u>29,726,069</u>
EXPENSES		
Operation and maintenance	10,918,502	31,056,886
Agency management	2,382,237	2,406,433
Interest and other charges	1,284,803	1,217,273
Total expenses	<u>14,585,542</u>	<u>34,680,592</u>
Change in net position	<u>2,820,131</u>	<u>(4,954,523)</u>
NET POSITION		
Net position, beginning of year	35,201,427	40,155,950
Net position, end of year	<u>\$ 38,021,558</u>	<u>\$ 35,201,427</u>

The Agency receives revenues from sources which include three assessment districts, interest and investment income, and project reimbursements from the State and the Federal government. Other sources of revenue are received through partnership agreements with member and partner local 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.

Revenues decreased from \$29,726,069 in fiscal year 2024 to \$17,405,673 in fiscal year 2025. Expenses decreased from \$34,680,592 in fiscal year 2024 to \$14,585,542 in fiscal year 2025. The decreases in both revenues and expenses are associated with program activities and completion of construction on the Smith Canal Gate in Fiscal Year 2024.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

FINANCIAL ANALYSIS OF AGENCY FUNDS

The General Fund: accounts for those funds used to operate the Agency. These funds include 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 as well as an allocation of funds from the Levee Construction and Maintenance Assessment to support Agency activities that benefit Zone 9. The City of Stockton and County loans have since been paid. The Agency General Fund is used to offset operating costs that are not allocated to projects.

Special Revenue Funds:

Maintenance & Operations

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 (representing the San Joaquin County Flood Control and Water Conservation District) and approved by the Agency's Board of Directors.

Levee Construction & Maintenance Assessment District

Beginning fiscal year 2024, assessments for LCMA District are collected annually through property taxes and are deposited into a separate fund for the Operations and Maintenance of Zone 9 levees as well as design, construction, and maintenance of flood control improvements for the specially benefited parcels within LCMA District. Benefiting parcels including those benefitted by the LSJRP as well as Smith Canal Gate Project which is a component of the LSJRP. Funding from assessments for fiscal year 2025 was utilized for the following:

- To provide funding directly to SJAFCA and Zone 9 of the San Joaquin Flood Control and Water Conservation District to support levee operations and maintenance, and flood control improvements within the Zone 9.
- To provide funding to SJAFCA to support the operations and maintenance of the Smith Canal Gate.
- To provide funding to SJAFCA to support the local sponsor obligations of the LSJRP.
- To pay debt service on bonds issued by SJAFCA secured by LCMA assessment revenues.
- To fund the administrative costs of the Assessment District.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Lower San Joaquin River (California) Project

Work related to advancing the LSJRP is accounted for separately in the LSJRP Project Fund. Funding for the continued advancement of the LSJRP comes from several sources, including:

- Remaining fund balances from the previous federal reimbursement.
- Grant funding from the State of California DWR as the result of an amendment to the Smith Canal Gate Project UFRR Funding Agreement in the amount of \$2,501,182, specifically for the purpose of supporting the LSJRP.
- Cash advances from the State of California under the Local Project Partnership Agreement for the LSJRP.
- Revenues from the LCMA District including proceeds from the sale Assessment Revenue Bonds secured by the assessments.

Since executing the Project Partnership Agreement with USACE in September 2020, the United States Congress has appropriated approximately \$152 million toward the design and construction of the LSJRP. SJAFCA's cost share obligation for the project is 10.5%, which can come in the form of credit for in-kind work, credit for land, easements, rights-of-way, relocations and disposal areas (LERRD), and cash. SJAFCA's approach to fund local share includes leveraging credit for completed Smith Canal work, applying credit transferred from the Sutter Basin Project from the SBFCA and submitting credit requests for completed in-kind work to minimize cash outlays. The project's priority remains the planned delivery of the first increment of construction at Ten Mile Slough in the Brookside neighborhood (TS_30_L) and working with USACE to advance other increments of the project, at Shima Tract, Calaveras, and San Joaquin River at Van Buskirk.

Mossdale Tract Funds (Mossdale Tract & Levee Impact Fee Funds and Mossdale OAD Fund)

To generate funding to advance projects that provide a Urban Level of Flood Protection for the Mossdale Tract Area, the Agency has approved and implemented the Mossdale Tract Area Regional Urban Level of Flood Protection Levee Impact Fee Program (Regional Levee Fee) in coordination with its member Land Use Agencies (San Joaquin County and the Cities of Lathrop, Manteca, and Stockton). Fees are collected by SJAFCA's member Land Use Agencies and remitted to SJAFCA pursuant to a collection agreement. Activities related to the advancement of an Urban Level of Flood Control for the Mossdale Tract Area are tracked in this separate fund.

In addition, the Agency coordinated with its member Land Use Agencies to form the Mossdale Tract Enhanced Infrastructure Financing District (EIFD). Funding from this EIFD is administered by a separate entity, the Mossdale Tract Enhanced Infrastructure Financing District Public Financing Authority (PFA). The Agency and the PFA have each approved a Memorandum of Understanding whereby the PFA will provide funding for Agency approved projects as well as staff services provided by the Agency to the PFA. Funding from the PFA is tracked within the Mossdale Tract Fund.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

In July 2024, the Agency formed the Mossdale Tract Overlay Assessment District (OAD). Beginning fiscal year 2025, assessments from the OAD are collected annually through property taxes and are deposited into a separate fund for the OAD to advance the design, construction, and maintenance of flood control improvements for the specially benefited parcels within the OAD.

Addition funding for Urban Level of Flood Protection improvements for the Mossdale Tract Area comes from the State through its Urban Flood Risk Reduction Grant Program. To date, the Agency and the program have received \$80.0 million of funding for the study, evaluation and implementation of Urban Flood Risk Reduction improvements. Funding from the State of California Department of Water Resources, along with matching funds from the Regional Levee Fee, EIFD and OAD are currently advancing environmental review, design and right-of-way planning in support of the Mossdale Tract Area Urban Level of Flood Protection improvements.

Paradise Cut Fund

In December 2021, the Board directed and authorized staff to enter into a funding agreement with the DWR to fund the combined Paradise Cut Expansion and South Delta Restoration Project (Paradise Cut). The work would be funded by Proposition 68 under DWR's Systemwide Flood Risk Reduction program. The goal of the grant is to advance Phase 3 of the Paradise Cut Project. The scope of work entails establishment of a Technical Review Panel, Outreach and Engagement, the preparation of a Feasibility Study and the preparation of Preliminary Engineering and Landscapes Designs to facilitate the development of engineers cost estimate (10%) for the preferred alternative including landscape-scale plans for multiple-benefit ecosystem restoration in the Project footprint. Funding from the Systemwide Flood Risk Reduction Grant with DWR is tracked within the Paradise Cut Fund.

Regional Flood Management Program Fund

DWR established the Regional Flood Management Planning (RFMP) program to support periodic updates to the Central Valley Flood Protection Plan in 2012. The intent was for DWR to fund local flood management groups to prepare six Regional Flood Management Plans throughout California's Central Valley. The Agency was authorized by the local maintaining agencies in the Lower San Joaquin River and Delta South Regions (Regions) to be the to serve as the lead agency responsible for RFMP planning for these Regions. As such, SJAFCA has entered into multiple funding agreements with DWR to administer the RFMP program on behalf of the Regions. Funding and related expenses are tracked in this special project fund.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

INFRASTRUCTURE ASSETS

Capital Assets

The Agency's investment in capital assets as of June 30, 2025, is \$32,520,738. These capital assets include land (right-of-way acquired for the project), flood control infrastructures and new vehicle purchased in 2025. The Table below shows the detail of capital assets for fiscal years ended June 30, 2025 and 2024.

	CAPITAL ASSETS (net of accumulated depreciation)	
	2025	2024
Vehicle	\$ 42,107	\$ -
Land and easements	10,031,153	9,678,245
Infrastructure assets, net	<u>22,447,478</u>	<u>23,357,017</u>
Total	<u>\$ 32,520,738</u>	<u>\$ 33,035,262</u>

Total accumulated depreciation as of June 30, 2025, is \$22,611,126. Therefore, the net infrastructure assets are \$22,447,478 (\$45,058,604 - \$22,611,126). 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 yet 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.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances, and to demonstrate the Agency's accountability for the money it receives. 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, Darren Suen at 2800 West March Lane, Suite 200, Stockton, California, 95219.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,340,328
Interest income receivable	357,247
Receivable - State of California	1,566,866
Prepaid expenses	640,074
Total current assets	<u>34,904,515</u>
Non-current assets:	
Operating lease right-of-use asset, net	418,685
Capital assets:	
Vehicle	42,107
Land and easements	10,031,153
Infrastructure assets, net	22,447,478
Total capital assets	<u>32,520,738</u>
Total assets	<u><u>67,843,938</u></u>
 LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	1,373,427
Accrued payroll	136,294
Bonds payable, current maturity (Note 9)	435,000
Accrued bond interest	319,884
Operating lease liability, current portion (Note 11)	70,800
Total current liabilities	<u>2,335,405</u>
Noncurrent liabilities:	
Bonds payable, net of current maturity and bond discount (Note 9)	26,823,621
Member agency loans (Note 7)	310,000
Operating lease liability, net of current portion (Note 11)	353,354
Total noncurrent liabilities	<u>27,486,975</u>
Net position:	
Net investment in capital assets	4,942,233
Restricted for maintenance and operations	7,394,310
Unrestricted	25,685,015
Total net position	<u>38,021,558</u>
Total liabilities and net position	<u><u>\$ 67,843,938</u></u>

See accompanying notes to basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions / Programs	Program Expenses	Program Revenues		Net (Expense) Revenue
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Operations and maintenance	\$ 10,918,502	\$ 4,824,253	\$ -	\$ (6,094,249)
Agency management	2,382,237	-	-	(2,382,237)
Interest and other charges	1,284,803	-	-	(1,284,803)
 Total governmental activities	\$ 14,585,542	\$ 4,824,253	\$ -	\$ (9,761,289)
 General revenues:				
Assessments				\$ 11,045,356
Investment earnings - interest				1,365,497
Investment earnings - unrealized gain				170,567
 Total general revenues				12,581,420
 Change in net position				2,820,131
 Net position, beginning of year				35,201,427
 Net position, end of year				\$ 38,021,558

See accompanying notes to basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2025

	General Fund	Maintenance & Operations Fund	Smith Canal Assmt & Closure Funds	Mossdale Tract & Levee Impact Fees Funds	Lower SJ River Project Fund	Regional Flood Mgmt Program Fund	Paradise Cut Fund	LCMA District	Mossdale OAD Fund	Total Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 2,748,833	\$ 7,423,834	\$ 1,814,537	\$ 7,197,118	\$ 1,925,534	\$ 229,607	\$ 1,035,648	\$ 7,832,126	\$ 2,133,091	\$ 32,340,328
Interest income receivable	21,279	81,617	24,103	78,393	26,867	2,855	16,278	84,091	21,764	357,247
Receivable - State of CA	-	-	-	918,145	-	21,098	493,246	44,476	89,901	1,566,866
Operating lease - ROU asset	20,934	41,868	20,934	146,540	138,166	8,374	41,869	-	-	418,685
TOTAL ASSETS	<u>2,791,046</u>	<u>7,547,319</u>	<u>1,859,574</u>	<u>8,340,196</u>	<u>2,090,567</u>	<u>261,934</u>	<u>1,587,041</u>	<u>7,960,693</u>	<u>2,244,756</u>	<u>34,683,126</u>
LIABILITIES										
Accounts payable	337	96,128	147,037	547,666	329,293	4,574	186,311	62,081	-	1,373,427
Accrued payroll	-	14,466	15,178	49,497	43,822	3,574	9,757	-	-	136,294
Member agency loans	-	-	-	310,000	-	-	-	-	-	310,000
Operating lease liability	21,208	42,415	21,208	148,454	139,971	8,483	42,415	-	-	424,154
Total liabilities	<u>21,545</u>	<u>153,009</u>	<u>183,423</u>	<u>1,055,617</u>	<u>513,086</u>	<u>16,631</u>	<u>238,483</u>	<u>62,081</u>	<u>-</u>	<u>2,243,875</u>
FUND BALANCES										
Restricted	-	7,394,310	-	-	-	-	-	-	-	7,394,310
Assigned	-	-	1,676,151	7,284,579	1,577,481	245,303	1,348,558	7,898,612	2,244,756	22,275,440
Unassigned	2,769,501	-	-	-	-	-	-	-	-	2,769,501
Total fund balances	<u>2,769,501</u>	<u>7,394,310</u>	<u>1,676,151</u>	<u>7,284,579</u>	<u>1,577,481</u>	<u>245,303</u>	<u>1,348,558</u>	<u>7,898,612</u>	<u>2,244,756</u>	<u>32,439,251</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,791,046</u>	<u>\$ 7,547,319</u>	<u>\$ 1,859,574</u>	<u>\$ 8,340,196</u>	<u>\$ 2,090,567</u>	<u>\$ 261,934</u>	<u>\$ 1,587,041</u>	<u>\$ 7,960,693</u>	<u>\$ 2,244,756</u>	<u>\$ 34,683,126</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, 2025

Total Fund Balances - Governmental Funds \$ 32,439,251

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	55,131,864	
Less: accumulated depreciation	<u>(22,611,126)</u>	
		32,520,738

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.

(26,938,431)

Net Position of Governmental Activities \$ 38,021,558

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, 2025

	General Fund	Maintenance and Operations Fund	Smith Canal Assessment & Closure Funds	Mossdale Tract & Levee Impact Fees Funds	Lower SJ River Project Fund	Regional Flood Mgmt Program Fund	Paradise Cut Fund	LCMA District	Mossdale OAD Fund	Total Governmental Funds
Revenues:										
Assessments	\$ -	\$ 1,141,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$7,684,475	\$ 2,219,388	\$ 11,045,356
Investment earnings - interest	80,660	316,364	165,348	329,404	103,260	13,127	51,314	264,818	41,202	1,365,497
Investment earnings - unrealized gain	10,270	34,702	11,946	26,436	8,869	891	5,269	84,249	4,513	187,145
Other government agency aid	-	-	-	4,217,164	-	21,098	519,780	-	-	4,758,042
Miscellaneous income	60	90	150	9,303	-	30	40,000	-	-	49,633
Total revenues, net	90,990	1,492,649	177,444	4,582,307	112,129	35,146	616,363	8,033,542	2,265,103	17,405,673
Expenditures:										
Current operating:										
Maintenance and operations	52,984	589,371	2,854,215	2,488,337	1,926,306	54,233	2,136,781	301,751	-	10,403,978
Agency management	215,485	154,742	359,289	720,371	614,523	50,936	153,861	92,683	20,347	2,382,237
Debt service:										
Principal	-	-	-	-	-	-	-	215,000	-	215,000
Interest and other charges	-	-	-	-	-	-	-	1,250,003	-	1,250,003
Total expenditures	268,469	744,113	3,213,504	3,208,708	2,540,829	105,169	2,290,642	1,859,437	20,347	14,251,218
Excess (deficiency) of revenues over expenditures	(177,479)	748,536	(3,036,060)	1,373,599	(2,428,700)	(70,023)	(1,674,279)	6,174,105	2,244,756	3,154,455
Other financing sources (uses):										
Transfers in (out)	678,412	19,394	(139,679)	(2,023,126)	3,046,721	(3,509)	1,981,506	(3,559,719)	-	-
Total other financing sources (uses)	678,412	19,394	(139,679)	(2,023,126)	3,046,721	(3,509)	1,981,506	(3,559,719)	-	-
Net change in fund balances	500,933	767,930	(3,175,739)	(649,527)	618,021	(73,532)	307,227	2,614,386	2,244,756	3,154,455
Fund balances, beginning	2,268,568	6,626,380	4,851,890	7,934,106	959,460	318,835	1,041,331	5,284,226	-	29,284,796
Fund balances, ending	\$ 2,769,501	\$ 7,394,310	\$ 1,676,151	\$ 7,284,579	\$1,577,481	\$ 245,303	\$ 1,348,558	\$7,898,612	\$ 2,244,756	\$ 32,439,251

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, 2025

Net changes in Fund Balances - Governmental Funds \$ 3,154,455

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.

Change in net capital assets	(514,524)	(514,524)
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The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

180,200

Changes in Net Position of Governmental Activities	\$ 2,820,131
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See accompanying notes to basic financial statements.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2025

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, 2025

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 Fund – 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, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Levee Construction and Maintenance Assessment (LCMA) District Fund – The LCMA District was created as a single funding mechanism to both provide funding for the local cost share of the Lower San Joaquin River Phase 1 Project and the maintenance of the improved levees, as well as provide additional funding for the Operations and Maintenance of District Zone 9 levees.

Mossdale Tract Overlay Assessment District (OAD) Fund – The OAD was established to provide a local funding mechanism for levee improvements aimed at achieving a 200-year Urban Level of Flood Protection (ULOP) in the Mossdale Tract area, in compliance with State law (SB 5).

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.

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 – This 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, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assessment Tax

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

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.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

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

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

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 August 2, 2023, the Agency issued “Levee Construction and Maintenance Assessment District Assessment Revenue Bonds, Series 2023A”, and “Levee Construction and Maintenance Assessment District Taxable Assessment Revenue Refunding Bonds, Series 2023B” (collectively, 2023 Bonds). The combined principal amount was \$27,730,000, less a discount of \$274,691. The purposes of the 2023 Bonds are to finance certain flood control improvements, pay the purchase price of the 2020 Bonds, advance refund the 2020 Bonds that are not being purchased with the proceeds of the 2023A Bonds, pay a portion of the premiums for the insurance policies for the 2023 Bonds, and pay a portion of the costs of issuance of the 2023 Bonds.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issue (Continued)

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.

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.

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.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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 \$31,888,831 as of June 30, 2025.

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.

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.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. DETAILED NOTES ON FUNDS (CONTINUED)

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.

Capital Assets

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

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2025</u>
Nondepreciable capital assets:				
Land and easements	\$ 9,678,245	\$ 352,908	\$ -	\$ 10,031,153
Depreciable capital assets:				
Vehicle	-	42,107	-	42,107
Infrastructure assets	45,058,604	-	-	45,058,604
Less accumulated depreciation	(21,701,587)	(909,539)	-	(22,611,126)
Net depreciable capital assets	<u>23,357,017</u>	<u>(867,432)</u>	<u>-</u>	<u>22,489,585</u>
Net capital assets	<u>\$ 33,035,262</u>	<u>\$ (514,524)</u>	<u>\$ -</u>	<u>\$ 32,520,738</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, 2025, 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, 2025, were \$1,686,276.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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 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, 2025

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 funds. Only transfers between funds appear in this statement. The following schedule reports net transfers and payments within the Agency:

	Transfers In	Transfers Out
General Fund	\$ 678,412	\$ -
Maintenance and Operations Fund	19,394	-
Smith Canal Assessment Fund	-	139,679
Mossdale Tract Fund	3,976,874	-
Mossdale Levee Impact Fund	-	6,000,000
Lower SJ River Project Fund	3,046,721	-
Regional Flood Mgmt Program Fund	-	3,509
Paradise Cut Fund	1,981,506	-
LCMA District Fund	-	3,559,719
Total	\$ 9,702,907	\$ 9,702,907

NOTE 9. BONDS PAYABLE

On August 2, 2023, the Agency issued “Levee Construction and Maintenance Assessment District Assessment Revenue Bonds, Series 2023A”, and “Levee Construction and Maintenance Assessment District Taxable Assessment Revenue Refunding Bonds, Series 2023B” (collectively, 2023 Bonds). The combined principal amount was \$27,730,000, less a discount of \$274,691. The purposes of the 2023 Bonds are to finance certain flood control improvements incident to the Lower San Joaquin River Project, pay the purchase price of certain of the 2020 Bonds, advance refund the 2020 Bonds that are not being purchased with the proceeds of the 2023A Bonds, pay a portion of the premiums for the insurance policies for the 2023 Bonds, and pay a portion of the costs of issuance of the 2023 Bonds.

The 2023 Bonds bear interest from 4.000%-5.627%, with payments due semiannually on April 1 and October 1, commencing April 1, 2024. 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, 2025, was \$27,258,621.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 9. BONDS PAYABLE (CONTINUED)

The 2023B Bonds maturing on or after October 1, 2033, are subject to optional redemption prior to their stated maturities, on any date on or after October 1, 2032, 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.

Mandatory Sinking Payment Redemption

The 2023A Bonds maturing on October 1, 2043, are subject to mandatory sinking payment redemption in part by lot on October 1, 2042, and on October 1, 2043, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

Redemption Date (October 1)	Sinking Payments
2042	\$ 375,000
2043 (maturity)	1,110,000

The 2023A Bonds maturing on October 1, 2048, are subject to mandatory sinking payment redemption in part by lot on October 1, 2044, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

Redemption Date (October 1)	Sinking Payments
2044	\$ 1,155,000
2045	1,200,000
2046	1,245,000
2047	1,295,000
2048 (maturity)	1,350,000

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 9. BONDS PAYABLE (CONTINUED)

The bonds maturing on October 1, 2053, are subject to mandatory sinking payment redemption in part by lot on October 1, 2049, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

<u>Redemption Date</u> <u>(October 1)</u>	<u>Sinking Payments</u>
2049	\$ 1,400,000
2050	1,460,000
2051	1,520,000
2052	1,580,000
2053 (maturity)	1,650,000

The 2023B Bonds maturing on October 1, 2032, are subject to mandatory sinking payment redemption in part by lot which began on October 1, 2024, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

<u>Redemption Date</u> <u>(October 1)</u>	<u>Sinking Payments</u>
2025	\$ 435,000
2026	460,000
2027	480,000
2028	505,000
2029	535,000
2030	560,000
2031	590,000
2032 (maturity)	620,000

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 9. BONDS PAYABLE (CONTINUED)

The 2023B Bonds maturing on October 1, 2042, are subject to mandatory sinking payment redemption in part by lot on October 1, 2039, and on each October 1 thereafter to maturity, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, from sinking payments as follows:

Redemption Date (October 1)	Sinking Payments
2039	\$ 895,000
2040	945,000
2041	1,000,000
2042 (maturity)	680,000

Future payments on bonds payable as of June 30, 2025, are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2026	\$ 435,000	\$ 1,268,351	\$ 1,703,351
2027	460,000	1,245,336	1,705,336
2028	480,000	1,221,164	1,701,164
2029	505,000	1,195,835	1,700,835
2030	535,000	1,169,091	1,704,091
Thereafter	25,100,000	15,507,117	40,607,117
Subtotal	27,515,000	21,606,894	49,121,894
Less: bond discount	(256,379)	-	(256,379)
Total liability	<u>\$ 27,258,621</u>	<u>\$ 21,606,894</u>	<u>\$ 48,865,515</u>

Accrued interest on the bonds as of June 30, 2025, was \$319,884.

NOTE 10. SUBSEQUENT EVENTS

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through January 5, 2026, the date the financial statements were available to be issued.

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 11. LEASES

Effective July 1, 2022, the Agency adopted ASU 2016-02 “Leases”. During the year ended June 30, 2025, the Agency recorded a \$473,053 Right-of-Use (ROU) asset and an offsetting lease liability, related to a material lease commitment for office space into which the Agency has entered. In accordance with ASU 2016-02 “Leases”, this lease, which has an initial term in excess of one year, has been classified as an operating lease.

During the year ended June 30, 2025, the Agency recognized total lease expense of \$74,769 related to this lease. Reduction of the ROU asset and lease liability during the year ended June 30, 2025, was \$54,368 and \$48,899, respectively.

Other information related to this lease as of June 30, 2025, was as follows:

Remaining lease term:	6.5 years
Discount rate:	5%

Future reductions of the lease liability at June 30, 2025, are as follows:

2026	\$ 51,117
2027	55,435
2028	59,898
2029	64,512
2030	69,285
Thereafter	<u>123,907</u>
Total	<u><u>\$ 424,154</u></u>

Future minimum lease payments as of June 30, 2025, are as follows:

2026	\$ 70,800
2027	72,300
2028	73,800
2029	75,300
2030	76,800
Thereafter	<u>128,700</u>
Total	<u><u>\$ 497,700</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 80,660	\$ 80,660
Investment earnings - unrealized gain	-	-	10,270	10,270
Miscellaneous income	-	-	60	60
Total revenues	<u>-</u>	<u>-</u>	<u>90,990</u>	<u>90,990</u>
Expenditures:				
Maintenance and operations	-	-	52,984	(52,984)
Agency management	121,650	121,650	215,485	(93,835)
Total expenditures	<u>121,650</u>	<u>121,650</u>	<u>268,469</u>	<u>(146,819)</u>
Other financing sources (uses):				
Transfers in (out)	-	-	678,412	678,412
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>678,412</u>	<u>678,412</u>
Net change in fund balance	<u>\$ (121,650)</u>	<u>\$ (121,650)</u>	500,933	<u>\$ 622,583</u>
Fund balance, beginning			2,268,568	
Fund balance, ending			<u>\$ 2,769,501</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, 2025

Maintenance and Operations Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Assessments	\$ -	\$ -	\$ 1,141,493	\$ 1,141,493
Investment earnings - interest	-	-	316,364	316,364
Investment earnings - unrealized gain	-	-	34,702	34,702
Miscellaneous income	-	-	90	90
Total revenues	<u>-</u>	<u>-</u>	<u>1,492,649</u>	<u>1,492,649</u>
Expenditures:				
Maintenance and operations	1,181,700	1,181,700	589,371	592,329
Agency management	243,300	243,300	154,742	88,558
Total expenditures	<u>1,425,000</u>	<u>1,425,000</u>	<u>744,113</u>	<u>680,887</u>
Other financing sources (uses):				
Transfers in (out)	<u>-</u>	<u>-</u>	19,394	19,394
Total other financing sources (uses)	<u>-</u>	<u>-</u>	19,394	19,394
Net change in fund balance	<u>\$ (1,425,000)</u>	<u>\$ (1,425,000)</u>	767,930	<u>\$ 2,192,930</u>
Fund balance, beginning			6,626,380	
Fund balance, ending			<u>\$ 7,394,310</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, 2025

Smith Canal Assessment & Closure Funds

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 165,348	\$ 165,348
Investment earnings - unrealized gain	-	-	11,946	11,946
Miscellaneous income	-	-	150	150
Total revenues	-	-	177,444	177,444
Expenditures:				
Maintenance and operations	-	-	2,854,215	(2,854,215)
Agency management	121,650	121,650	359,289	(237,639)
Total expenditures	121,650	121,650	3,213,504	(3,091,854)
Other financing sources (uses):				
Transfers in (out)	-	-	(139,679)	(139,679)
Total other financing sources (uses)	-	-	(139,679)	(139,679)
Net change in fund balance	\$ (121,650)	\$ (121,650)	(3,175,739)	\$ (3,054,089)
Fund balance, beginning			4,851,890	
Fund balance, ending			\$ 1,676,151	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Mossdale Tract & Levee Impact Fees Funds

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 329,404	\$ 329,404
Investment earnings - unrealized gain	-	-	26,436	26,436
Other government agency aid	6,747,484	6,747,484	4,217,164	(2,530,320)
Miscellaneous income	-	-	9,303	9,303
Total revenues	6,747,484	6,747,484	4,582,307	(2,165,177)
Expenditures:				
Maintenance and operations	6,608,450	6,608,450	2,488,337	4,120,113
Agency management	851,550	851,550	720,371	131,179
Total expenditures	7,460,000	7,460,000	3,208,708	4,251,292
Other financing sources (uses):				
Transfers in (out)	-	-	(2,023,126)	(2,023,126)
Total other financing sources (uses)	-	-	(2,023,126)	(2,023,126)
Net change in fund balance	\$ (712,516)	\$ (712,516)	(649,527)	\$ 62,989
Fund balance, beginning			7,934,106	
Fund balance, ending			\$ 7,284,579	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Lower SJ River Project Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 103,260	\$ 103,260
Investment earnings - unrealized gain	-	-	8,869	8,869
Total revenues	<u>-</u>	<u>-</u>	<u>112,129</u>	<u>112,129</u>
Expenditures:				
Maintenance and operations	6,403,444	6,403,444	1,926,306	4,477,138
Agency management	802,890	802,890	614,523	188,367
Total expenditures	<u>7,206,334</u>	<u>7,206,334</u>	<u>2,540,829</u>	<u>4,665,505</u>
Other financing sources (uses):				
Transfers in (out)	-	-	3,046,721	3,046,721
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,046,721</u>	<u>3,046,721</u>
Net change in fund balance	<u>\$ (7,206,334)</u>	<u>\$ (7,206,334)</u>	618,021	<u>\$ 7,824,355</u>
Fund balance, beginning			959,460	
Fund balance, ending			<u>\$ 1,577,481</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, 2025

Regional Flood Management Program Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 13,127	\$ 13,127
Investment earnings - unrealized gain	-	-	891	891
Other government agency aid	-	-	21,098	21,098
Miscellaneous income			30	30
Total revenues	-	-	35,146	35,146
Expenditures:				
Maintenance and operations	-	-	54,233	(54,233)
Agency management	48,660	48,660	50,936	(2,276)
Total expenditures	48,660	48,660	105,169	(56,509)
Other financing sources (uses):				
Transfers in (out)	-	-	(3,509)	(3,509)
Total other financing sources (uses)	-	-	(3,509)	(3,509)
Net change in fund balance	\$ (48,660)	\$ (48,660)	(73,532)	\$ (24,872)
Fund balance, beginning			318,835	
Fund balance, ending			\$ 245,303	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

BUDGET TO ACTUAL COMPARISON SCHEDULES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Paradise Cut Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Investment earnings - interest	\$ -	\$ -	\$ 51,314	\$ 51,314
Investment earnings - unrealized gain	-	-	5,269	5,269
Other government agency aid	-	-	519,780	519,780
Miscellaneous income	-	-	40,000	40,000
Total revenues	<u>-</u>	<u>-</u>	<u>616,363</u>	<u>616,363</u>
Expenditures:				
Maintenance and operations	-	-	2,136,781	(2,136,781)
Agency management	243,300	243,300	153,861	89,439
Total expenditures	<u>243,300</u>	<u>243,300</u>	<u>2,290,642</u>	<u>(2,047,342)</u>
Other financing sources (uses):				
Transfers in (out)	-	-	1,981,506	1,981,506
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,981,506</u>	<u>1,981,506</u>
Net change in fund balance	<u>\$ (243,300)</u>	<u>\$ (243,300)</u>	307,227	<u>\$ 550,527</u>
Fund balance, beginning			1,041,331	
Fund balance, ending			<u>\$ 1,348,558</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, 2025

LCMA District

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Assessments	\$ 7,738,100	\$ 7,738,100	\$ 7,684,475	\$ (53,625)
Investment earnings - interest	-	-	264,818	264,818
Investment earnings - unrealized gain	-	-	84,249	84,249
Total revenues	<u>7,738,100</u>	<u>7,738,100</u>	<u>8,033,542</u>	<u>295,442</u>
Expenditures:				
Maintenance and operations	9,830,237	9,830,237	301,751	9,528,486
Agency management	518,500	518,500	92,683	425,817
Debt service:				
Principal	-	-	215,000	(215,000)
Interest and other charges	-	-	1,250,003	(1,250,003)
Total expenditures	<u>10,348,737</u>	<u>10,348,737</u>	<u>1,859,437</u>	<u>8,489,300</u>
Other financing sources (uses):				
Issuance of bonds	-	-	-	-
Transfers in (out)	-	-	(3,559,719)	(3,559,719)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,559,719)</u>	<u>(3,559,719)</u>
Net change in fund balance	<u>\$ (2,610,637)</u>	<u>\$ (2,610,637)</u>	<u>2,614,386</u>	<u>\$ 5,225,023</u>
Fund balance, beginning			5,284,226	
Fund balance, ending			<u>\$ 7,898,612</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, 2025

	<u>Mossdale OAD Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Revenues:				
Assessments	\$ 2,219,388	\$ 2,219,388	\$ 2,219,388	\$ -
Investment earnings - interest	-	-	41,202	41,202
Investment earnings - unrealized gain	-	-	4,513	4,513
Total revenues	<u>2,219,388</u>	<u>2,219,388</u>	<u>2,265,103</u>	<u>45,715</u>
Expenditures:				
Agency management	-	-	20,347	(20,347)
Total expenditures	<u>-</u>	<u>-</u>	<u>20,347</u>	<u>(20,347)</u>
Net change in fund balance	<u>\$ 2,219,388</u>	<u>\$ 2,219,388</u>	2,244,756	<u>\$ 25,368</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ 2,244,756</u>	

See Notes to Required Supplementary Information

SAN JOAQUIN AREA FLOOD CONTROL AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

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, 2025, the Agency has expenditures over appropriations as follows:

General Fund

Maintenance and operations	\$ (52,984)
Agency management	\$ (93,835)

Smith Canal Assessment & Closure Funds

Maintenance and operations	\$ (2,854,215)
Agency management	\$ (237,639)

Regional Flood Management Program Fund

Maintenance and operations	\$ (54,233)
Agency management	\$ (2,276)

Paradise Cut Fund

Maintenance and operations	\$ (2,136,781)
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LCMA District

Debt service	\$ (1,465,003)
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Mossdale OAD Fund

Agency management	\$ (20,347)
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ADDITIONAL INFORMATION

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



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, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 5, 2026.

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.

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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.



Stockton, California
January 5, 2026

SAN JOAQUIN AREA FLOOD CONTROL AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Section II – Summary of Material Weaknesses

None

Section III – Summary of Significant Deficiencies

None

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

None