

San Francisco Bay Restoration Authority

Financial Statements For the Year Ended June 30, 2021

San Francisco Bay Restoration Authority

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For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Governing Board of
The San Francisco Bay Restoration Authority
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Francisco Bay Restoration Authority (SFBRA) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the SFBRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SFBRA's basic financial statements. The other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. That information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, except for that portion marked "unaudited", is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Crowe LLP

San Francisco, California
December 10, 2021

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Management’s Discussion and Analysis (unaudited)

Management’s Discussion and Analysis

The San Francisco Bay Restoration Authority (SFBRA) is a regional agency created to collect revenue and fund shoreline projects that will protect, restore, and enhance San Francisco Bay. The voters approved the Measure AA special tax in June 2016. SFBRA began collecting tax levy on July 1, 2017. The special tax will expire on June 30, 2037. This section presents an overview of the financial activities of SFBRA for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

The majority of the activities in fiscal year 2021 were collecting the special tax assessment revenue, awarding grants and expansion of the restoration projects. The following are some of the highlights from fiscal year 2021.

- Collected Measure AA special tax revenue of \$25,703,961
- Authorized project funds for FY 2021 in the amount of \$28,641,124
- Total project expenditures through fiscal year 2021 were \$30,720,554
- Total project grants awarded through FY 2021 were \$90,450,616

B. Overview of the Government-Wide Financial Statements

The government-wide financial statements provide an overview of SFBRA. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of SFBRA at the end of the 2021 fiscal year. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as “Net Position.”

The Statement of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2021 fiscal year. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

C. Overview of the Fund Financial Statements

SFBRA is composed of one governmental fund which is presented as a general fund that is used to account for SFBRA activities and is supported by Measure AA special tax revenue sources.

Governmental fund financial statements provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer-term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Change in Fund Balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities. The financial statements of the governmental fund are prepared under the modified accrual basis of accounting.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Management’s Discussion and Analysis (unaudited)

D. Government-Wide Financial Analysis

Statement of Net Position

The following table shows a summary of SFBRA’s government-wide Statement of Net position as of June 30 for the last two fiscal years:

	Governmental Activities	
	2021	2020
ASSETS		
Cash and investments	\$ 70,694,511	\$ 56,201,857
Receivables	165,531	170,007
Due from other governments	2,154	606
Total Assets	70,862,196	56,372,470
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,147,521	3,750,736
Retention payable	2,883,609	2,107,738
Due to other governments	352,179	244,486
Non-current liabilities:		
Advance from other government	-	369,420
Total Liabilities	5,383,309	6,472,380
NET POSITION		
Unrestricted	65,478,887	49,900,090
Total Net Position	\$ 65,478,887	\$ 49,900,090

The net position for the SFBRA increased by \$15.6 million during FY 2021. The increase is generally due to the timing of special tax collections, allocation to bay restoration projects and the timing of project expenditures. Other highlights include:

- Total cash and investments increased by \$14,492,654 in fiscal year 2021 and is due to the timing of revenue collection and project allocations.
- Accounts payable decreased by \$1,603,215 as a result of vendor invoice payments. The increase in retention payable is due to the growing number of restoration projects requiring a 10 percent retention withholding on vendors’ invoices.
- Long-term liabilities decreased by \$369,420 as the SFBRA completed the repayment to the three agencies that advanced funds to place Measure AA on the June 2016 ballot.

SFBRA expects to commit the balance of the net position to future projects to restore the bay over time.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Management's Discussion and Analysis (unaudited)

Statement of Activities

The following table shows a summary of SFBRA's government-wide Statement of Activities for the last two fiscal years:

	Governmental Activities	
	2021	2020
Revenues:		
Program revenue:		
Capital grants and contribution	\$ 375,000	\$ -
General Revenue:		
Measure AA special tax	25,703,961	25,601,057
Investment earnings	181,129	495,650
Miscellaneous	19,199	17,214
Total Revenues	26,279,289	26,113,921
Expenses:		
General Government	1,225,756	1,028,444
Restoration /Preservation	9,474,736	19,548,817
Total Expenses	10,700,492	20,577,261
Change in Net Position	15,578,797	5,536,660
Net Position - Beginning	49,900,090	44,363,430
Net Position - Ending	\$ 65,478,887	\$ 49,900,090

SFBRA ended FY 2021 with a surplus of \$15.6 million which improved the net position to nearly \$65.5 million. Other highlights:

- Total revenue increased by \$165,368 or about 1 percent during FY 2021. The increase was primarily due to \$375,000 increase in program revenue from local governments' contribution for the Bay Restoration Regulatory Integration Team (BRRIT) project. The decrease in investment earnings is the result of a generally lower investment market. Generally, there should be very little change in general revenue because the measure AA tax revenue is based on the collection of special parcel tax which is assessed \$12 per year per parcel.
- Total expenses decreased by over \$9.9 million. The reduction is primarily due to a \$10 million decrease in the Restoration/Preservation program expenses due to a delay in the South San Francisco Bay Shoreline project. This project is expected to be back on track in FY2022. Refer to page 27 for a complete list of approved projects.
- General government expenses increased by \$197,312 in FY 2021. The increase was mainly due to the increased cost associated with the administrative services provided by State Coastal Conservancy (SCC) and MTC.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Management’s Discussion and Analysis (unaudited)

E. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

F. General Fund Budget

SFBRA adopted a budget of \$26,796,920 for fiscal year 2021 including a budget deficit of \$1,153,920. The budgetary deficit will be covered by fund balance. SFBRA is a single fund, two program entity. The main program is the project fund where the bay restoration projects are budgeted. The second program is the operating fund funded with a 5 percent transfer from the project fund as well as interest earnings on all invested funds. The project fund budgets bay restoration projects on a life-to-date basis where project expenses continue for the life of the project. Regardless of the fiscal year, the project continues until reduced, completed, or closed. The operating fund is budgeted and maintained on a fiscal year basis with all appropriations lapsing at fiscal year-end. Because budgeted projects exist on a life to date basis, it is not unusual for allocations to exceed annual revenue provided there is sufficient equity in the project fund balance to cover the allocation. Refer to page 24 and 25 for detail.

The legal limit for budget control purposes is the life-to-date total in the project budget and the annual total in the operating budget. While the CFO is authorized to carryover all unspent encumbrance balances and the Executive Director is authorized to reallocate project amounts from an existing project contingency, no other increase to an adopted budget is allowed without formal Board approval.

The actual revenues-to-expenditures balance for fiscal year 2021 reflects a surplus of \$15,209,377. The expenditure variance of \$15,727,008 was mainly due to the timing of awarded project grants. Unspent project balance will carry over to the fiscal year 2022 budget. The following provides a condensed view of the final budget compared to actual for the year ended June 30, 2021.

	<u>General Fund</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenue	\$ 25,643,000	\$ 25,643,000	\$ 26,279,289	\$ 636,289
Expenditures	26,796,920	26,796,920	11,069,912	15,727,008
Net change in fund balance	(1,153,920)	(1,153,920)	15,209,377	16,363,297
Fund balance - beginning	50,269,510	50,269,510	50,269,510	-
Fund balance - ending	<u>\$ 49,115,590</u>	<u>\$ 49,115,590</u>	<u>\$ 65,478,887</u>	<u>\$ 16,363,297</u>

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Management's Discussion and Analysis (unaudited)

G. Economic Factors

The Bay Area economy ended a nine-year economic expansion during FY 2020 with sudden “crash” at the end of FY 2020. While the “crash” was the steepest drop in GDP since the Great Depression, the economy technically recovered, surpassing the pre-pandemic level by December 2020. Immediate economic impacts include:

- Sales tax revenue was projected to fall 14% from the FY 2019 total, falling for the first time in nine straight fiscal years. Instead, the increase in internet sales combined with a federal court decision that removed the federal prohibition on the assessment of state sales tax produced revenue of over \$14 million, almost exactly the level of FY 2020.
- Unemployment in the Bay Area dipped below 3% in June 2019 and increased to over 9.6% by June 2020. Unemployment remains stubbornly high in California, exceeding 7.7%, and well above the national trend of 5.2%.
- With office vacancy rates at 20% or pre-pandemic levels, future office occupancy is uncertain given the level of remote workers in the Bay Area. As such, the continuing impact of the pandemic may not be known until workers return to the office.
- Signs of an improving economy include strength in housing prices and construction, however the short recession did nothing to improve the critically low supply of affordable housing in the San Francisco Bay Area.

The change in economic conditions had no appreciable effect on the operations and business results of the SFBRA business operations.

Requests for information

This financial report is designed to provide a general overview of the San Francisco Bay Restoration Authority's financial position for all those with an interest in the government's finance. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Metropolitan Transportation Commission (MTC) Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

San Francisco Bay Restoration Authority
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash	\$ 70,594,521
Investments	99,990
Receivables - Measure AA special tax	131,569
Interest receivable	33,962
Due from other governments	<u>2,154</u>
Total Assets	<u>70,862,196</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,147,521
Retention payable	2,883,609
Due to other governments	<u>352,179</u>
Total Liabilities	<u>5,383,309</u>
NET POSITION	
Unrestricted	<u>65,478,887</u>
Total Net Position	<u><u>\$ 65,478,887</u></u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Program Revenue</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>
						<u>Total</u>
Functions:						
Governmental Activities:						
General Government	\$ 1,225,756	\$ -	\$ -	\$ -	\$ -	\$ (1,225,756)
Restoration /Preservation	9,474,736	-	-	375,000	375,000	(9,099,736)
Total Governmental Activities	<u>\$ 10,700,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ (10,325,492)</u>
General Revenue:						
Measure AA special tax						25,703,961
Investment earnings						181,129
Miscellaneous						19,199
Total General Revenue						<u>25,904,289</u>
Change in Net Position						15,578,797
Net Position - beginning						<u>49,900,090</u>
Net Position - ending						<u>\$ 65,478,887</u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Balance Sheet
Governmental Fund – General Fund
June 30, 2021

ASSETS

Cash	\$ 70,594,521
Investments	99,990
Receivables - Measure AA special tax	131,569
Interest receivable	33,962
Due from other governments	<u>2,154</u>
Total Assets	<u><u>\$ 70,862,196</u></u>

LIABILITIES

Accounts Payable	\$ 2,147,521
Retention Payable	2,883,609
Due to other governments	<u>352,179</u>
Total Liabilities	<u><u>5,383,309</u></u>

FUND BALANCES

Committed to:

Restoration / Preservation SF Bay Projects	37,375,062
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Assigned to:

Restoration / Preservation SF Bay Projects	22,355,000
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Unassigned	<u>5,748,825</u>
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Total Fund Balances	<u><u>65,478,887</u></u>
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Total Liabilities and Fund Balances	<u><u>\$ 70,862,196</u></u>
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See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Statement of Revenues, Expenditures, and Change in Fund Balance –
Governmental Fund – General Fund
For the Year Ended June 30, 2021

REVENUES

Measure AA special tax	\$ 25,703,961
Revenue - local governments	375,000
Investment income	181,129
Miscellaneous	<u>19,199</u>
Total Revenues	<u>26,279,289</u>

EXPENDITURES

Contracted Salaries & benefits	546,345
Financial service fees	115,399
Allocation to other agencies	8,686,910
Professional fees	76,806
County fees	739,020
Overhead	404,639
Payment on advance from other governments	369,420
Other	<u>131,373</u>
Total Expenditures	<u>11,069,912</u>

Net Change in Fund Balance	15,209,377
Fund Balance - beginning	<u>50,269,510</u>
Fund Balance - ending	<u>\$ 65,478,887</u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Reconciliation of the Statement of Revenues, Expenditures and Change
in Fund Balance – Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund balance - Total Governmental Funds (per Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 15,209,377
Payments of advance from other governments are reported as expenses in the Statement of Revenues, Expenditures and Changes in Fund Balance	<u>369,420</u>
Change in Net Position of Governmental Activities (per Statement of Activities)	<u><u>\$ 15,578,797</u></u>

See accompanying notes to financial statements

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

The San Francisco Bay Restoration Authority (SFBRA) was established on September 30, 2008 by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. SFBRA is a regional entity and its purpose is to raise and allocate local resources for restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitats in the San Francisco Bay and along its shoreline.

SFBRA is governed by a board that was formed based on the California Government Code (CGC) Section 66703(a) which defined the composition of SFBRA's seven voting members. The Association of Bay Area Governments (ABAG) appoints SFBRA's members of the board based on the composition defined by CGC Section 66703 (a), but ABAG has no ability to remove the appointed members of the board. The composition of SFBRA's board members are different from ABAG's board. ABAG has no ability to modify or approve SFBRA's budget, approve the rate changes, appoint, hire, reassign or dismiss the management of SFBRA. In addition, there is no financial/ benefit burden relationship between ABAG and SFBRA that may result from legal entitlement or obligation. For the above reasons, SFBRA is not considered a component unit of ABAG.

On January 13, 2016, SFBRA's Board unanimously voted to place a funding measure (Measure AA) on the June 7, 2016 ballot in the nine-county Bay Area to generate funds to protect and restore San Francisco Bay. Measure AA was approved by the voters with a 70% affirmative vote. The annual tax levies commenced on July 1, 2017 with an ending date of June 30, 2037.

SFBRA, the State Coastal Conservancy (SCC) and ABAG desired to reduce redundancy and increase efficiency by jointly carrying out their common grant-making powers in the expenditure of Measure AA funds. On October 24, 2016 SCC, ABAG and SFBRA entered into joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA ("JPA"). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and Metropolitan Transportation Commission (MTC) entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017. In November 2017, ABAG, SCC and SFBRA amended the JPA to acknowledge that MTC will fulfill the staffing responsibilities assigned to ABAG in the JPA. The primary staff functions that SCC provides to SFBRA include Executive Officer, Clerk of the Board, legal, and program services. The primary staff functions that MTC provides to SFBRA include Fiscal Agent/Treasurer and program services. SFBRA paid \$644,831 and \$424,448 to SCC and MTC, respectively, for the services provided during fiscal year 2021.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Notes to the Financial Statements

B. Basis of Presentation

SFBRA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display the overall financial activities of SFBRA. The Statement of Net Position reports the difference between SFBRA's total assets and total liabilities.

The Statement of Activities reports increases and decreases in SFBRA's net position. It is also prepared on the full accrual basis, which means it includes all of SFBRA's revenues and expenses, regardless of when cash changes hands.

General Fund Financial Statements

SFBRA presents a governmental fund, which consists of operating/administration and project funds. A fund is a separate set of self-balancing accounts that comprise assets, liabilities, net position, revenues and expenditures. The operating/administration fund represents five percent of measure AA tax revenue, which may be used for general government purposes. The project fund reports the activities of the restoration and preservation of the San Francisco Bay Wetland. Both activities are presented in a single column in the fund financial statements. The Fund Financial Statements report increases and decreases in SFBRA's fund balance.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting method, revenues are recognized when earned, rather than when cash changes hands, and expenses are recorded when the liability is incurred.

Fund Financial Statements

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay for liabilities of the current period. SFBRA considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when liabilities are incurred, as under the accrual basis of accounting.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Notes to the Financial Statements

New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 19, 2019. SFBRA adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improves the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. SFBRA adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this Statement are effective as follows: (a) The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

San Francisco Bay Restoration Authority
Financial Statements for the Year Ended June 30, 2021
Notes to the Financial Statements

GASB Statement No. 93, Replacement of Interbank Offered Rates (IBOR), establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Management is currently evaluating the effect of paragraphs 11b, 13, and 14. The adoption of the remaining paragraphs had no impact on SFBRA's financial statements.

GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on SFBRA's financial statements.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follows: (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b) The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. SFBRA adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any material impact on SFBRA's financial statements. Management is evaluating the effect of the remaining paragraphs of this statement on SFBRA's financial statements.

D. Net Position

The government-wide financial statements utilize a net position presentation. Net Position is the excess of an entity's assets and deferred outflows of resources over its liabilities and deferred inflows of resources and is categorized as follows:

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. There is no net investment in capital assets at year end.

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- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. There is no restricted net position at year end.
- Unrestricted Net Position represents net position of SFBRA that is not included in the determination of net investment in capital assets or the restricted component of net position.

Sometimes the SFBRA will fund outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The SFBRA considers restricted net position to have been depleted before unrestricted net position is applied.

E. Fund Balance

Fund balance of governmental funds is reported in the following categories based on the nature of limitations confining the use of resources for specific purposes:

- Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid amounts, and long-term interfund advances and receivables. There is no nonspendable fund balance at year end.
- Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. There is no restricted fund balance at year end.
- Committed Fund Balance – represents amounts that can only be used for specific purposes through resolutions authorized by SFBRA’s Board of Directors. Commitments can only be modified or lifted through Board resolutions.
- Assigned Fund Balance – comprises amounts that are constrained by the SFBRA Governing Board’s intended to be used for specific purposes that are neither restricted nor committed.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications.

Sometimes SFBRA will fund outlays for a particular purpose from both restricted and unrestricted resources (committed, assigned, and unassigned fund balances). To determine the amounts to report as restricted, committed, assigned, and unassigned fund balances in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. SFBRA fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

F. Cash and Investments

SFBRA has assigned its management of cash and investments to MTC under the contract for services and adopted MTC’s investment policy. Accordingly MTC, on behalf of SFBRA invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the

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benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords SFBRA a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC’s investment policy adopted by SFBRA include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bonds
- Mutual funds – Rated “AAA”
- Other investment types authorized by State law and not prohibited in MTC’s investment policy.

SFBRA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. SFBRA reports its money market securities and short-term investments at cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments are not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenditures and Change in fund balance as investment income.

SFBRA considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investment that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

G. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method. There is no prepaid items at year end.

H. Revenue Recognition

Revenue will primarily be comprised of special assessments from Measure AA secured through property taxes, which are recognized in the year of levy if their receipt occurs within 60 days after year-end.

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I. Allocation to Other Agencies

Allocation to other agencies consists of the project costs of the restoration / preservation of the San Francisco Bay.

J. Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which was subsequently rescinded in June 2021. The statewide shelter-in-place order had no appreciable effect on the operations and business results of the SFBRA business operations. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

2. NET POSITION

SFBRA has a positive net position of \$65,478,887. The positive position is mainly the result of the collection of special assessments from Measure AA.

3. CASH AND INVESTMENTS

A. A summary of Cash and Investments as shown on the Statement of Net Position at June 30, 2021 is as follows:

Cash	\$ 70,594,521
Investments	<u>99,990</u>
Total Cash and Investments	<u><u>\$ 70,694,511</u></u>

B. The composition of cash and investments at June 30, 2021 is as follows:

Cash

Cash at banks	\$ 29,000,668
Money market mutual funds	972
Government Pools	
Local Agency Investment Fund	<u>41,592,881</u>
Total Cash	<u><u>\$ 70,594,521</u></u>

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The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal. Therefore, the position in LAIF is classified as cash. LAIF is unrated.

The mutual fund investments in SFBRA's investment portfolio are expressed as a percentage of SFBRA's total cash and investments at June 30, 2021 is as follows:

Money Market Mutual Funds	
Morgan Stanley Government Portfolio	less than 1%

The Morgan Stanley Government Portfolio is part of the overnight sweep fund utilized by the Union Bank custodial account. The fund invests in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

Investments

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2021:

U.S. Treasury securities are valued on the basis of prices provided by ICE Data Pricing and Reference Data LLC. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

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The composition of investments reported at fair value in accordance with GASB 72 fair value hierarchy at June 30, 2021:

Investments by fair value level at June 30, 2021	Level 1	Level 2	Level 3	Total
U.S. Treasury	\$ -	\$ 99,990	\$ -	\$ 99,990
Total investments measured at fair value	<u>\$ -</u>	<u>\$ 99,990</u>	<u>\$ -</u>	<u>\$ 99,990</u>

C. Deposit and Investment Risk Factors

There are many factors that can affect the value of deposits and investments such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

i.) Credit Risk

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The U.S. Treasury holdings carry “AA+/Aaa/AAA” ratings from Standard & Poor’s, Moody’s and Fitch, respectively.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian’s name may be lost and not be recovered.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SFBRA may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent having a fair value of 110% to 150% of SFBRA’s cash on deposit.

iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total investments at June 30, 2021 are as follows:

U.S. Treasury	100%
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Financial Statements for the Year Ended June 30, 2021
Notes to the Financial Statements

iv.) Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The weighted average maturity of SFBRA’s U.S. Treasury securities (expressed in number of years) at June 30, 2021 is 0.35 years.

4. DUE TO OTHER GOVERNMENTS

Due to other governments includes the amount due to SCC and MTC for staff services in fiscal year 2021. A schedule of due to other governments is as follows:

Agency	Amount	Notes
Metropolitan Transportation Commission	\$ 170,511	FY21 financial service fees and May to June 2021 program staff services
State Coastal Conservancy	181,668	April to June 2021 Services
Total as of 6/30/2021	\$ 352,179	

5. PROPERTY TAX REVENUES

Assessed values are determined annually by each respective county. SFBRA property tax revenues for the fiscal year ended June 30, 2021 are noted as follows for each county:

County	Fiscal Year Ending 6/30/2021
Alameda	\$ 5,251,731
Contra Costa	4,297,986
Marin	1,083,575
Napa	570,726
San Francisco	2,406,199
San Mateo	2,579,844
Santa Clara	5,764,464
Solano	1,664,688
Sonoma	2,084,748
Total Property Tax Revenues	\$ 25,703,961

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6. RISK MANAGEMENT

SFBRA is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. SFBRA has commercial insurance coverages, which include general liability, crime, cyber, employed attorney, public officials, and automobile liability policies. SFBRA management is of the opinion that no lawsuits or claims will have a material adverse effect on SFBRA's financial position. There was no settlement in the past three years.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2021, there are approximately \$37,375,062 in future expenditure commitments.

REQUIRED SUPPLEMENTARY INFORMATION

San Francisco Bay Restoration Authority
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual
SFBRA – Project (unaudited)
For the Year Ended June 30, 2021

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget
Revenues				
Measure AA special tax	\$ 24,883,000	\$ 24,883,000	\$ 25,703,961	\$ 820,961
Revenue - local governments	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	<u>-</u>
Total Revenues	<u>25,258,000</u>	<u>25,258,000</u>	<u>26,078,961</u>	<u>820,961</u>
Expenditures				
Allocation to other agencies	13,404,624	28,641,124	8,686,910	19,954,214
Project contingency	10,795,120	(4,441,380)	-	(4,441,380)
Professional fees	49,900	49,900	48,806	1,094
County fees	<u>688,740</u>	<u>688,740</u>	<u>739,020</u>	<u>(50,280)</u>
Total Expenditures	<u>24,938,384</u>	<u>24,938,384</u>	<u>9,474,736</u>	<u>15,463,648</u>
Revenues Over / (Under) Expenditures	319,616	319,616	16,604,225	16,284,609
Other Financing Sources (Uses)				
Transfer out to Operating Fund	<u>(1,244,150)</u>	<u>(1,244,150)</u>	<u>(1,285,198)</u>	<u>(41,048)</u>
Net Change in Fund Balances	(924,534)	(924,534)	15,319,027	16,243,561
Fund balances - beginning	<u>48,606,793</u>	<u>48,606,793</u>	<u>48,606,793</u>	<u>-</u>
Fund balances - ending	<u>\$ 47,682,259</u>	<u>\$ 47,682,259</u>	<u>\$ 63,925,820</u>	<u>\$ 16,243,561</u>

⁽¹⁾ Budget Prepared in accordance with GAAP

San Francisco Bay Restoration Authority
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual
SFBRA – Operating (unaudited)
For the Year Ended June 30, 2021

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget
Revenues				
Investment income	\$ 385,000	\$ 385,000	\$ 181,129	\$ (203,871)
Other	-	-	19,199	19,199
Total Revenues	<u>385,000</u>	<u>385,000</u>	<u>200,328</u>	<u>(184,672)</u>
Expenditures				
Salaries & benefits	226,436	226,436	546,345	(319,909)
Financial service fees	-	-	115,399	(115,399)
Professional fees	1,219,421	1,219,421	28,000	1,191,421
Operating contingency	63,750	63,750	-	63,750
Overhead	128,229	128,229	404,639	(276,410)
Payment on advance from other governments	-	-	369,421	(369,421)
Other	220,700	220,700	131,372	89,328
Total Expenditures	<u>1,858,536</u>	<u>1,858,536</u>	<u>1,595,176</u>	<u>263,360</u>
Revenues (Under) Expenditures	<u>(1,473,536)</u>	<u>(1,473,536)</u>	<u>(1,394,848)</u>	<u>78,688</u>
Other Financing Sources (Uses)				
Transfer in from Project Fund	1,275,000	1,275,000	1,285,198	10,198
Net Change in Fund Balances	(198,536)	(198,536)	(109,650)	88,886
Fund balances - beginning	<u>1,662,717</u>	<u>1,662,717</u>	<u>1,662,717</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,464,181</u>	<u>\$ 1,464,181</u>	<u>1,553,067</u>	<u>\$ 88,886</u>

⁽¹⁾ Budget Prepared in accordance with GAAP

OTHER SUPPLEMENTARY INFORMATION

San Francisco Bay Restoration Authority
Schedule of Approved Projects
For the Year Ended June 30, 2021

Project	Grant Amount	Expenditures Through 6/30/20 (Unaudited)	CY Expenditures During FY21	Cumulative Expenditures Through 6/30/2021 (Unaudited)	Remaining Balance (Unaudited)
South Bay Salt Ponds Restoration Project, Phase 2	\$ 8,021,730	\$ 899,135	\$ 417,013	\$ 1,316,148	\$ 6,705,582
South San Francisco Bay Shoreline Project	38,639,406	17,826,091	3,899,999	21,726,090	16,913,316
Restoring wetland-upland transition zone habitat	2,661,264	813,767	623,799	1,437,566	1,223,698
Montezuma Tidal and Seasonal Wetlands Restoration Project	1,610,000	901,750	519,236	1,420,986	189,014
Deer Island Basin Phase 1 Tidal Wetlands Restoration Project	630,000	44,547	213,240	257,787	372,213
San Leandro Treatment Wetland	539,000	231,770	223,205	454,975	84,025
Encinal Dune Restoration and Public Access	450,000	39,095	399,983	439,078	10,922
Sonoma Creek Baylands Strategy	172,500	172,500	-	172,500	-
Bay Restoration Regulatory Integration Team	2,543,512	352,344	490,894	843,238	1,700,274
900 Innes	4,998,600	428,660	673,605	1,102,265	3,896,335
Tiscornia Marsh Restoration and Sea Level Rise Adaptation	968,916	323,986	336,517	660,503	308,413
Coyote Hills Restoration and Public Access	3,950,000	-	176,212	176,212	3,773,788
Lower Walnut Creek Restoration	7,929,855	-	-	-	7,929,855
North Richmond Shoreline Living Levee	644,709	-	-	-	644,709
San Pablo Baylands Collaborative Protection and Restoration Project	2,950,000	-	41,955	41,955	2,908,045
Rehabilitating Fish Screens of Suisun Marsh	454,624	-	226,786	226,786	227,838
Heron's Head Park Shoreline Resilience	297,000	-	62,046	62,046	234,954
American Canyon Wetlands Restoration Plan	450,000	-	-	-	450,000
Oakland Shoreline Leadership Academy	180,000	-	27,846	27,846	152,154
Invasive Spartina Removal and Tidal Marsh Restoration Project	4,000,000	-	337,496	337,496	3,662,504
Long Beach Restoration Design Project w/City of San Leandro	514,500	-	-	-	514,500
Hayward Marsh Restoration Project w/East Bay Regional Parks District	500,000	-	17,078	17,078	482,922
Community Grants Program	200,000	-	-	-	200,000
Greenwood Gravel Beach Design Project (Blackies)	380,000	-	-	-	380,000
Terminal Four Wharf Removal Project	2,300,000	-	-	-	2,300,000
Burlingame Shoreline Park Project	500,000	-	-	-	500,000
Colma Creek Restoration and Adaptation Project	595,000	-	-	-	595,000
Calabazas/San Tomas Aquino Creek - Marsh Connection Project	3,370,000	-	-	-	3,370,000
Grand Total	\$ 90,450,616	\$ 22,033,645	\$ 8,686,910	\$ 30,720,555	\$ 59,730,061