SAN FRANCISCO BAY RESTORATION AUTHORITY

Financial Statements
For the year ended June 30, 2022

San Francisco Bay Restoration Authority
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For the Year Ended June 30, 2022

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Francisco Bay Restoration Authority
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and major fund of the San Francisco Bay Restoration Authority (SFBRA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SFBRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the SFBRA, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 SFBRA's, 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 SFBRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 SFBRA’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 SFBRA’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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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", is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Crowe LLP

Crowe LLP

San Francisco, California
December 16, 2022

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, 2022. 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 2022 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 2022.

- Collected Measure AA special tax revenue of $25,762,786
- Total project expenditures in FY 2022 were $20,800,497
- Total project grants awarded in FY 2022 increased by $23,222,349 compared to FY 2021

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 2022 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 2022 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 Changes 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.

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	
	2022	2021
Assets		
Cash and investments	$ 79,778,192	$ 70,694,511
Receivables	656,212	165,531
Due from other governments	-	2,154
Total	80,434,404	70,862,196
Liabilities		
Accounts payable and accrued liabilities	6,993,235	2,147,521
Retention payable	4,078,477	2,883,609
Due to other governments	327,276	352,179
Total Liability	11,398,988	5,383,309
NET POSITION		
Unrestricted	69,035,416	65,478,887
Total	$ 69,035,416	$ 65,478,887

Total cash and investments increased by $9.08 million in FY 2022. The increase is due to timing of revenue collection and project allocations.

Accounts payable and accrued liabilities increased by $4.85 million due to outstanding vendors' invoices for project costs. The increase in retention payable by $1.19 million is due to the growing number of restoration projects requiring a 10 percent retention withholding on vendors' invoices.

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

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	
	2022	**2021**
Revenues:		
Program Revenues:		
Capital grants & contribution	$ 375,000	$ 375,000
General revenue:		
Measure AA special tax	25,762,786	25,703,961
Investment earnings	222,173	181,129
Miscellaneous	9,190	19,199
Total Revenues	26,369,149	26,279,289
Expenses:		
General Government	1,222,601	1,225,756
Restoration/Preservation	21,590,019	9,474,736
Total Expenses	22,812,620	10,700,492
Change in Net Position	3,556,529	15,578,797
Net Position - Beginning	65,478,887	49,900,090
Net Position - Ending	$ 69,035,416	$ 65,478,887

Total revenue increased by $0.09 million or about 0.34 percent during FY 2022. The increase was primarily due to investment earnings. SFBRA invested in Local Agency Investment Fund (LAIF) in fiscal year 2022. In addition to investing in LAIF, SFBRA started investing in U.S. Treasury and government sponsored enterprise notes in fiscal year 2022. 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 increased by $12.11 million in FY 2022. The increase is primarily due to costs incurred from the South San Francisco Bay Shoreline project that was delayed in fiscal year 2021. In addition, several other construction projects also contributed to the increase in expenses. Refer to page 29 and 30 for a complete list of approved projects.

SFBRA ended FY 2022 with a surplus of $3.56 million which improved the net position to nearly $69.04 million.

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 $25,958,761 for fiscal year 2022 including a budget surplus of $241,239. 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 26 and 27 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 2022 reflects a surplus of $3,556,529. The expenditure variance of $3,146,141 was mainly due to the timing of awarded project grants. In addition, most projects are multi-year projects, so it takes serveral years to expend the full project budget. Unspent project balance will carry over to the fiscal year 2023 budget. The following provides a condensed view of the final budget compared to actual for the year ended June 30, 2022.

	General Fund			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	$ 26,200,000	$ 26,200,000	$ 26,369,149	$ 169,149
Expenditures	25,958,761	25,958,761	22,812,620	3,146,141
Net change in fund balance	241,239	241,239	3,556,529	3,315,290
Fund balance - beginning	65,478,887	65,478,887	65,478,887	-
Fund Balance - ending	$ 65,720,126	$ 65,720,126	$ 69,035,416	$ 3,315,290

G. Economic Factors

While the general economic picture nationally and regionally has stabilized over the past eighteen months from the challenges posed by the COVID-19 pandemic and ensuing "flash" recession, there are new challenges in FY 2022-23 and beyond.

Inflation has been running very high since early 2021. Inflationary pressures have included supply chain challenges, extremely low unemployment (driven in part by low labor force participation), and the war in Ukraine. For the first several months of this inflationary trend, the Federal Reserve believed these inflationary pressures to be "transitory" (that is, short-term in nature). As it has become clear that these increases are not, in fact, transitory, the Federal Reserve has initiated an assertive campaign of unwinding its monetary stimulus by increasing short-term interest rates and reducing its balance sheet. In pursuing this campaign, the Federal Reserve is attempting to navigate to an economic "soft landing," in which inflation is reduced, unemployment levels remain acceptable (if somewhat higher than current), and the national economy avoids recession.

Unfortunately, steering the economy to a soft landing is an uncertain enterprise, and it is possible that the Federal Reserve may overshoot, increasing interest rates to a point that the economy goes into recession, or that today's inflationary pressures are such that increases in interest rates are insufficient to address them.

In the San Francisco Bay Area, the overall economy continues to be strong, with robust growth in sales tax revenue, unemployment rates notably lower than national and statewide rates, and inflation which, while high, is lower than national averages as well as other major metropolitan areas in California.

Pandemic related effects in the Bay Area continue, primarily with respect to the issue of "return-to-office". Office occupancy is down sharply, and vacancy rates are up relative to pre-pandemic levels. These trends are likely to have uneven effects across the area, with San Francisco facing significant headwinds on this issue.

The change in economic conditions had no appreciable effect on the operations and business results of the SFBRA business operations since the principal revenue source for SFBRA is a fixed parcel tax. Therefore, whether there is a recession or an expansion, it has relatively little impact on SFBRA revenue.

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 finances. 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, 2022

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	21,698,748
Investments		58,079,444
Receivables - Measure AA special tax		542,238
Interest receivable		113,974
TOTAL ASSETS		80,434,404
LIABILITIES		
Accounts payable		6,993,235
Retention payable		4,078,477
Due to other governments		327,276
TOTAL LIABILITIES		11,398,988
NET POSITION		
Unrestricted		69,035,416
TOTAL NET POSITION	$	69,035,416

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total Program Revenue	Net (Expenses) Revenues and Change in Net Position — Governmental Activities: Total
Functions:						
Governmental Activities:						
General Government	$ 1,222,601	$ -	$ -	$ -	$ -	$ (1,222,601)
Restoration / Preservation	21,590,019	-	-	375,000	375,000	(21,215,019)
Total Governmental Activities	$ 22,812,620	$ -	$ -	$ 375,000	$ 375,000	(22,437,620)

General Revenue:	
Measure AA special tax	25,762,786
Investment earnings	222,173
Miscellaneous	9,190
Total General Revenue	25,994,149
Change in Net Position	3,556,529
Net Position - Beginning	65,478,887
Net Position - Ending	$ 69,035,416

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Balance Sheet
Governmental Fund - General Fund
June 30, 2022

ASSETS	
Cash and cash equivalents	$ 21,698,748
Investments	58,079,444
Receivables - Measure AA special tax	542,238
Interest receivable	113,974
TOTAL ASSETS	80,434,404
LIABILITIES	
Accounts payable	6,993,235
Retention payable	4,078,477
Due to other governments	327,276
TOTAL LIABILITIES	11,398,988
FUND BALANCE	
Committed to:	
Restoration / preservation SF Bay Projects	54,647,252
Assigned to:	
Restoration / preservation SF Bay Projects	7,504,661
Unassigned	6,883,503
TOTAL FUND BALANCE	69,035,416
TOTAL LIABILITIES AND FUND BALANCE	$ 80,434,404

See accompanying notes to the financial statements

San Francisco Bay Restoration Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund - General Fund
For the Year Ended June 30, 2022

REVENUES		
Measure AA special tax	$	25,762,786
Revenue - local governments		375,000
Investment income		222,173
Miscellaneous		9,190
TOTAL REVENUES		26,369,149
EXPENDITURES		
Contracted salaries and benefits		567,822
Financial service fees		143,118
Allocation to other agencies		20,800,497
Professional fees		48,810
County fees		740,712
Overhead		395,709
Other		115,952
TOTAL EXPENDITURES		22,812,620
NET CHANGE IN FUND BALANCE		3,556,529
Fund balance - beginning		65,478,887
Fund balance - ending	$	69,035,416

See accompanying notes to basic 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 $617,863 and $490,505 to SCC and MTC, respectively, for the services provided during fiscal year 2022.

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 plus deferred outflows and total liabilities plus deferred inflows as "Net Position".

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.

New Accounting Pronouncements

GASB Statement No. 87, *Leases*, has an objective 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. SFBRA adopted this statement for fiscal year ended June 30, 2022. The adoption of the standard has no impact 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. SFBRA adopted this statement for fiscal year ended June 30, 2022. 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 were 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. SFBRA adopted paragraphs 4, 5, 11 and 13 of this statement in fiscal year 2020. SFBRA adopted the remaining paragraphs of this standard for fiscal year ended June 30, 2022. The adoption of the standard has no impact on SFBRA's 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 were 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. The adoption of the remaining paragraphs 11b, 13, and 14 has 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 and the remaining paragraphs of this statement in fiscal year 2022. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the new term annual comprehensive financial report and its acronym ACFR and replaces instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for reporting periods ending after December 15, 2021. SFBRA adopted this statement for fiscal year ended June 30, 2022. The adoption of the standard has no impact on SFBRA's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraph 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. SFBRA adopted paragraphs 26-32 in fiscal year 2022. The adoption of the above requirements has no impact on SFBRA's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on SFBRA’s financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on SFBRA’s financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statements are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect 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.
- 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 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. 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 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 Changes 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 short-term investments as cash equivalents. Highly liquid short-term investment are cash equivalents 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.

I. Allocation to Other Agencies

Allocation to other agencies consists of the project costs of the restoration / preservation of the San Francisco Bay. Expenses are recorded or accrued related to the period to the extent the invoices are received by SFBRA through 90 days after the end of the fiscal year.

2. NET POSITION

SFBRA has a positive net position of $69,035,416. 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, 2022 is as follows:

Cash and Cash Equivalents	$ 21,698,748
Investments	58,079,444
Total Cash and Investments	$ 79,778,192

B. The composition of cash and cash equivalents at June 30, 2022 is as follows:

Cash in Banks	$ 14,946,092
Money Market mutual funds	43,647
Government Pools	
Local Agency Investment Fund	6,709,009
Total Cash and Cash Equivalents	$ 21,698,748

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. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. 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, 2022 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, 2022:

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.

The composition of investments reported at fair value in accordance with GASB 72 fair value hierarchy at June 30, 2022:

Investments by fair value level at June 30, 2022	Level 1	Level 2	Level 3	Total
U.S. Treasury	$ -	$ 44,822,080	$ -	$ 44,822,080
Government Sponsored Enterprises:				
Federal Home Loan Bank	$ -	$ 13,257,364	$ -	$ 13,257,364
Total investments measured at fair value	$ -	$ 58,079,444	$ -	$ 58,079,444

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 and Government-Sponsored Enterprise (GSE) 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, 2022 are as follows:

U.S. Treasury	77 %
Federal Home Loan Bank (FHLB)	23 %

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 and GSE Securities (expressed in number of years) at June 30, 2022 are as following:

U.S. Treasury	0.18
Government Sponsored Enterprises:	
Federal Home Loan Bank	0.18

4. DUE TO OTHER GOVERNMENTS

Due to other governments includes the amount due to SCC and MTC for staff services in fiscal year 2022. A schedule of due to other governments is as follows:

Agency	Amount	Notes
Metropolitan Transportation Commission	$ 189,894	FY22 financial service fees and June 2022 program staff services
State Coastal Conservancy	137,382	April to June 2022 Services
Total as of June 30, 2022	**$ 327,276**	

5. PROPERTY TAX REVENUES

Assessed values are determined annually by each respective county. SFBRA property tax revenues for the fiscal year ended June 30, 2022 are noted as follows for each county:

County		Fiscal Year Ending June 30, 2022
Alameda	$	5,256,383
Contra Costa		4,317,162
Marin		1,083,524
Napa		568,243
San Francisco		2,416,327
San Mateo		2,583,546
Santa Clara		5,773,050
Solano		1,674,846
Sonoma		2,089,705
Total Property Tax Revenues	**$**	**25,762,786**

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. Insurance coverages are subject to market volatility. 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 that exceeded commercial insurance coverage in the past three years.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, there are approximately $54,647,252 in future expenditure commitments.

REQUIRED SUPPLEMENTARY INFORMATION

San Francisco Bay Restoration Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SFBRA - Project (unaudited)
For the Year Ended June 30, 2022

	Original Budget[1]	Final Budget[1]	Actual	Variance with Final Budget
Revenues				
Measure AA special tax	$ 25,815,000	$ 25,815,000	$ 25,762,786	$ (52,214)
Revenue - local governments	-	-	375,000	375,000
Interest income	-	-	17,594	17,594
Total revenues	25,815,000	25,815,000	26,155,380	340,380
Expenditures				
Allocation to other agencies	11,786,075	15,618,575	20,800,497	(5,181,922)
Project contingency	11,724,232	7,891,732	-	7,891,732
Professional fees	50,000	50,000	48,810	1,190
County fees	750,000	750,000	740,712	9,288
Total expenditures	24,310,307	24,310,307	21,590,019	2,720,288
REVENUES OVER/(UNDER) EXPENDITURES	1,504,693	1,504,693	4,565,361	3,060,668
OTHER FINANCING SOURCES (USES)				
Transfers out to Operating Fund	(1,290,750)	(1,290,750)	(1,288,139)	2,611
Net change in fund balance	213,943	213,943	3,277,222	3,063,279
Fund balance - beginning	47,682,259	47,682,259	63,925,820	16,243,561
Fund balance - ending	$ 47,896,202	$ 47,896,202	$ 67,203,042	$ 19,306,840

[1] Budget prepared in accordance with GAAP.

San Francisco Bay Restoration Authority

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SFBRA - Operating (unaudited)
For the Year Ended June 30, 2022

	Original Budget[1]	Final Budget[1]	Actual	Variance with Final Budget
Revenues				
Investment Income	$ 385,000	$ 385,000	$ 204,579	$ (180,421)
Other	-	-	9,190	9,190
Total revenues	385,000	385,000	213,769	(171,231)
Expenditures				
Contracted salaries and benefits	299,000	299,000	567,822	(268,822)
Financial service fees	-	-	143,118	(143,118)
Professional fees	850,000	850,000	-	850,000
Operating contingency	129,075	129,075	-	129,075
Overhead	149,679	149,679	395,709	(246,030)
Other	220,700	220,700	115,952	104,748
Total expenditures	1,648,454	1,648,454	1,222,601	425,853
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,263,454)	(1,263,454)	(1,008,832)	254,622
OTHER FINANCING SOURCES				
Transfer in from Project Fund	1,290,750	1,290,750	1,288,139	(2,611)
Net change in fund balance	27,296	27,296	279,307	252,011
Fund balance - beginning	1,464,181	1,464,181	1,553,067	88,886
Fund balance - ending	$ 1,491,477	$ 1,491,477	$ 1,832,374	$ 340,897

[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, 2022

Project	Grant Amount	Expenditures Through 6/30/21 (Unaudited)	CY Expenditures During FY22	Cumulative Expenditures Through 6/3022 (Unaudited)	Remaining Balance (Unaudited)
South Bay Salt Ponds Restoration Project, Phase 2	$ 8,021,730	$ 1,316,148	$ 727,596	$ 2,043,744	$ 5,977,986
South San Francisco Bay Shoreline Project	50,039,406	21,726,090	7,300,423	29,026,513	21,012,893
Restoring wetland-upland transition zone habitat	2,661,264	1,437,566	762,090	2,199,656	461,608
Montezuma Tidal and Seasonal Wetlands Restoration Project	1,610,000	1,420,986	91,426	1,512,412	97,588
Deer Island Basin Phase 1 Tidal Wetlands Restoration Project	630,000	257,787	136,384	394,171	235,829
San Leandro Treatment Wetland	539,000	454,975	74,134	529,109	9,891
Encinal Dune Restoration and Public Access	450,000	439,078	10,922	450,000	-
Sonoma Creek Baylands Strategy	172,500	172,500	-	172,500	-
Bay Restoration Regulatory Integration Team	3,809,973	843,238	712,114	1,555,352	2,254,621
900 Innes	4,998,600	1,102,265	3,896,335	4,998,600	-
Tiscornia Marsh Restoration and Sea Level Rise Adaptation	4,121,763	660,503	379,260	1,039,763	3,082,000
Coyote Hills Restoration and Public Access	3,950,000	176,212	273,788	450,000	3,500,000
Lower Walnut Creek Restoration	7,929,855	-	2,777,144	2,777,144	5,152,711
North Richmond Shoreline Living Levee	644,709	-	372,253	372,253	272,456
San Pablo Baylands Collaborative Protection and Restoration Project	4,267,000	41,955	191,172	233,127	4,033,873
Rehabilitating Fish Screens of Suisun Marsh	454,624	226,786	187,459	414,245	40,379
Heron's Head Park Shoreline Resilience	297,000	62,046	133,068	195,114	101,886
American Canyon Wetlands Restoration Plan	450,000	-	46,101	46,101	403,899
Oakland Shoreline Leadership Academy	174,026	27,846	146,180	174,026	-
Invasive Spartina Removal and Tidal Marsh Restoration Project	4,000,000	337,496	1,781,952	2,119,448	1,880,552
Long Beach Restoration Design Project w/City of San Leandro	514,500	-	14,007	14,007	500,493
Hayward Marsh Restoration Project w/East Bay Regional Parks District	500,000	17,078	176,085	193,163	306,837
Community Grants Program	600,000	-	73,463	73,463	526,537
Greenwood Gravel Beach Design Project (Blackies)	380,000	-	24,097	24,097	355,903
Terminal Four Wharf Removal Project	2,300,000	-	-	-	2,300,000
Burlingame Shoreline Park Project	1,491,499	-	337,599	337,599	1,153,900
Colma Creek Restoration and Adaptation Project	595,000	-	151,462	151,462	443,538
Calabazas/San Tomas Aquino Creek - Marsh Connection Project	3,370,000	-	-	-	3,370,000
Evolving Shorelines Bothin Marsh	255,000	-	23,983	23,983	231,017
Wetlands Regional Monitoring	1,457,500	-	-	-	1,457,500

SAN FRANCISCO BAY RESTORATION AUTHORITY
SCHEDULE OF APPROVED PROJECTS
FOR THE YEAR ENDED JUNE 30, 2022

Project	Grant Amount	Expenditures Through 6/30/21 (Unaudited)	CY Expenditures During FY22	Cumulative Expenditures Through 6/3022 (Unaudited)	Remaining Balance (Unaudited)
De-Pave Park	800,000	-	-	-	800,000
Baylands Habitat Rest. & CE in E Palo Alto	688,016	-	-	-	688,016
SAFER Bay	1,000,000	-	-	-	1,000,000
Regionally Advancing Living Shorelines	500,000	-	-	-	500,000
Grand Total	**$ 113,672,965**	**$ 30,720,555**	**$ 20,800,497**	**$ 51,521,052**	**$ 62,151,913**