Santa Clara Valley Water District
Board Audit Committee Meeting

Headquarters Building Boardroom
5700 Almaden Expressway, San Jose, CA 95118

Join Zoom Meeting:
https://valleywater.zoom.us/j/91608079873

SPECIAL MEETING
AGENDA

Tuesday, June 18, 2024
9:00 AM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE
Barbara F. Keegan, Chairperson - District 2
Jim Beall, Vice Chairperson - District 4
John L. Varela - District 1

DARIN TAYLOR
Committee Liaison
Nicole Merritt
Assistant Deputy Clerk II
Office/Clerk of the Board
(408) 265-2600
nmerritt@valleywater.org
www.valleywater.org

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body’s meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.
***IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS***

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: https://zoom.us/test
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: https://www.youtube.com/watch?v=TojJpYCxXm0

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board of Directors/Board Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has not
been prepared with a view to informing an investment decision in any of Valley Water’s bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water’s bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures and Valley Water’s Investor Relations website, maintained on the World Wide Web at https://emma.msrb.org/ and https://www.valleywater.org/how-we-operate/financebudget/investor-relations, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter “Anonymous” or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:
https://valleywater.zoom.us/j/91608079873
Meeting ID: 916 0807 9873
Join by Phone: 1 (669) 900-9128, 91608079873#

1. CALL TO ORDER:
   1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.
Notice to the public: Members of the public who wish to address the Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers’ comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:
3.1. Approval of May 15, 2024 Board Audit Committee Minutes.  
Recommendation: Approve the minutes.  
Manager: Candice Kwok-Smith, 408-630-3193  
Attachments: Attachment 1: 051524 BAC Minutes

4. REGULAR AGENDA:

4.1. Discuss the Options to Extend, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2024.  
Recommendation: 
A. Discuss options to extend, allow to expire, or terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc., which is currently scheduled to expire effective November 22, 2024; and
B. Approve recommendation to the full Board to:
   i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year;
   ii. Allow the expiration of the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc.; or
   iii. Exercise option to terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. prior to the expiration date of November 22, 2024.
Manager: Darin Taylor, 408-630-3068

4.2. Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2023-2024 Financial Audit, Presented by Vasquez and Company LLP.  
Recommendation: Receive and discuss information regarding the upcoming FY 2023-2024 financial audit, presented by Vasquez and Company LLP.
Manager: Darin Taylor, 408-630-3068  
Attachments: Attachment 1: PowerPoint

4.3. Receive and Discuss Financial Audit Report for the Pajaro River Watershed Flood Prevention Authority.  
Recommendation: Receive and discuss financial audit report for the Pajaro River Watershed Flood Prevention Authority.
Manager: Darin Taylor, 408-630-3068  
Attachments: Attachment 1: PRWFPA Audited Financial Statements
4.4. Discuss 2024 Annual Audit Plan (Including Information Technology, Human Resources and Board Policies Audits), and Provide Further Guidance as Needed.

Recommendation: A. Discuss 2024 Annual Audit Plan;  
B. Provide further guidance as needed;  
C. Receive information regarding initiation of Information Technology Audit and Human Resources Audit.

Manager: Darin Taylor, 408-630-3068

4.5. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 BAC Work Plan.

Manager: Candice Kwok-Smith, 408-630-3193

Attachments: Attachment 1: 2024 BAC Work Plan

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 1:00 p.m., on July 17, 2024.
SUBJECT: Approval of May 15, 2024 Board Audit Committee Minutes.

RECOMMENDATION: Approve the minutes.

SUMMARY: In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee’s historical records archives and serve as historical records of the Committee’s meetings.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT: The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS: Attachment 1: 051524 BAC Minutes

UNCLASSIFIED MANAGER: Candice Kwok-Smith, 408-630-3193
BOARD AUDIT COMMITTEE MEETING

DRAFT MINUTES

REGULAR MEETING SESSION
WEDNESDAY, MAY 15, 2024
1:00 PM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 1 Director John L. Varela, District 4 Director Jim Beall, Vice Chairperson, and District 2 Director Barbara F. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Staff members in attendance were: Yvonne Arroyo, Emmanuel Aryee, Lisa Bankosh, Sarah Berning, Jessica Collins, Enrique De Anda, Amy Fonseca, Walter Gonzalez, Brian Hopper, Diahann Hudson Soleno, Candice Kwok-Smith, Cecil Lawson, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Luz Penilla, Steven Peters, Alison Phagan, Manpreet Sra, Darin Taylor, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Valley Water Director Rebecca Eisenberg (District 7), and George Skiles (Sjoberg Evashenk Consulting).

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Keegan declared time open for public comment on any item not on the agenda. There was no one who wished to speak.

3. APPROVAL OF MINUTES:

3.1. Approval of April 12, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.
The Committee considered the attached minutes of the April 12, 2024 Committee meeting.

Public Comments:
None.

It was moved by Director Varela and seconded by Vice Chairperson Beall and unanimously carried that the minutes be approved.

4. **REGULAR AGENDA:**


Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

Yvonne Arroyo reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Yvonne Arroyo, Lisa Bankosh, Cecil Lawson, and George Skiles were available to answer questions.

Public Comments: None.

The Committee received the information, took no formal action, and noted the following:

- The Committee noted the general 12-week permit processing time, and the ongoing challenge of standardizing the permitting process per the complexity and uniqueness of Valley Water's operations and the potential impact on facilities.
- The Committee expressed support for the potential of the integration of the permit process data with other public agencies' development schedules which the Information Technology (IT) staff confirmed could be a future cloud-based option; and IT would continue to assist with keeping this item's technical options on track as scheduled.
- The Committee noted the permit customer portal's options to provide guideline reminders and timelines for permit applicants, tools to track a permit, and potential applicant assistance like a permit wizard and live support.
- The Committee expressed support for the potential for a performance audit halfway through the implementation to confirm the process workflow status and to identify if there are any further recommendations in the upcoming year as a part of the audit follow up process noted in the BAC Charter.

4.2. Receive the Fiscal Year (FY) 2023-2024 Third Quarter Financial Status Update.

Recommendation: Receive the FY 2023-2024 third quarter financial status update as of March 31, 2024.
Steven Peters and Enrique De Anda reviewed the information on this item, per the attached Committee Agenda Memo, and the corresponding materials contained in Attachment 1 were reviewed by staff as follows: Steven Peters reviewed Slides 1 through 5 and Enrique De Anda reviewed Slides 6 through 9.

Enrique De Anda, Steven Peters, and Darin Taylor were available to answer questions.

Public Comments: None.

The Committee received the information, took no formal action, and noted the following:

- Vice Chairperson Beall expressed interest in reviewing a monthly cash flow analysis chart comparing budget versus actual expenditures; and staff confirmed there is a quarterly spending forecast available for Capital projects but not currently for Operations.
- The Committee noted most of the financial activity happens generally in 4th quarter of the year which may create challenges for projections.
- The Committee expressed concern regarding the expected Subventions’ funding from the Department of Water Resources (DWR) running low for the Shoreline project and staff confirmed that Valley Water is still eligible for this funding but may not receive it for several years per the state budget.

4.3. Receive and Discuss Joint Power Authority (JPA) Audit Report for the Santa Clara Valley Habitat Conservation Program.

Recommendation: Receive and discuss JPA audit report for the Santa Clara Valley Habitat Conservation Program.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per information contained in Attachment 1.

Darin Taylor and George Skiles were available to answer questions.

Public Comments: None.

The Committee received the information, took no formal action, and noted the following:

- The Committee confirmed that there were no concerns with the Santa Clara Valley Habitat Conservation Program financial audit report.
• The Committee noted the upcoming Pajaro River Watershed Flood Prevention Authority financial audit report will be presented at the next BAC meeting.

4.4. Discuss 2024 Annual Audit Plan and Provide Further Guidance as Needed.

Recommendation: A. Discuss 2024 Annual Audit Plan; and
B. Provide further guidance as needed.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

• The Committee noted no requested changes recommended on the 2024 Annual Audit plan from the Chief Audit Executive (CAE).
• The Committee confirmed risk assessments are generally done at least once every 3 years with the last risk assessment completed last year for Valley Water.
• The Committee expressed support of the CAE being proactive with plans to present recommendations to the BAC by August 2024 for audit topics for next year and to do research to address previous BAC audit questions, changing priorities, and to identify any risks.

4.5. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor, Nicole Merritt, and George Skiles were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

• The Committee noted the next BAC meeting was rescheduled to 9:00 a.m. on June 18, 2024 through the Board Scheduler.
Chairperson Keegan confirmed to discuss with Board Chairperson Hsueh regarding scheduling a special Board meeting for audit training with the CAE.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:
   This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

None.

6. ADJOURN:

   6.1. Adjourn to Regular Meeting at 1:00 p.m. on June 19, 2024.

   Chairperson Keegan adjourned the meeting at 2:22 p.m., to the rescheduled special meeting at 9:00 a.m. on June 18, 2024.

Nicole Merritt
Date approved: Assistant Deputy Clerk II
SUBJECT: Discuss the Options to Extend, Allow to Expire, or Terminate the On-Call Services Agreement with Chief Audit Executive (CAE), Sjoberg Evashenk Consulting, Inc., which is Set to Expire Effective November 22, 2024.

RECOMMENDATION:
A. Discuss options to extend, allow to expire, or terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc., which is currently scheduled to expire effective November 22, 2024; and
B. Approve recommendation to the full Board to:
   i. Exercise option to extend the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. for one year;
   ii. Allow the expiration of the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc.; or
   iii. Exercise option to terminate the On-Call Services Agreement with CAE, Sjoberg Evashenk Consulting, Inc. prior to the expiration date of November 22, 2024.

SUMMARY:
At its November 23rd, 2021 Board Meeting, the Board of Directors (the Board) approved the Board Audit Consultant Services agreement with Sjoberg Evashenk Consulting, Inc., to be the Chief Audit Executive (CAE) for the Board for a not-to-exceed amount of $800,000 for a three year term. With this agreement, the CAE serves as advisor to the Board of Directors’ Audit Committee (Board Audit Committee or BAC) in fulfilling its duties, responsibilities, and functions. Specifically, the CAE assesses operational risks and advises on potential audits to ensure Santa Clara Valley Water District is in compliance with its policies, procedures and regulations. The CAE also assists in preparing an annual program of audits with associated calendars, schedules and budgets and prepares formal and informal reports and presentations to the BAC and to the Board.

To date, the CAE has performed an audit of the Capital Improvement Program (CIP), conducted an organization-wide risk assessment, and developed the annual audit plan for fiscal years 2023 and
2024. The CAE has also provided guidance and perspective for consideration by the BAC, conducted training sessions with the BAC members, and held 1-on-1 meetings with the Board members as part of the annual evaluation process.

The purpose of this item is for the BAC to discuss the options to extend, allow the expiration of, or terminate the on-call services agreement with the CAE, prior to the expiration of the agreement. The agreement is set to expire on November 22, 2024.

If the BAC chooses to recommend expiration or the termination of the agreement, staff will proceed with a new request for proposal to solicit a new CAE.

If the BAC chooses to recommend extending the agreement for 1 year, staff believes there is sufficient funding remaining under the current not-to-exceed contract amount of $800,000 to accommodate an additional year of work.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:
The extension of an On-call Services Agreement is not subject to environmental justice analysis.

ATTACHMENTS:
None.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068
SUBJECT: Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2023-2024 Financial Audit, Presented by Vasquez and Company LLP.

RECOMMENDATION: Receive and discuss information regarding the upcoming FY 2023-2024 financial audit, presented by Vasquez and Company LLP.

SUMMARY: Vasquez and Company LLP will provide an overview of the financial audit process for Fiscal Year 2023-24.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT: There are no environmental justice and equity impacts associated with the FY 2023-24 financial audit.

ATTACHMENTS: Attachment 1: PowerPoint

UNCLASSIFIED MANAGER: Darin Taylor, 408-630-3068
Presentation to the Board Audit Committee

Fiscal Year Ending June 30, 2024

June 18, 2024
EXECUTIVE SUMMARY

- Engagement Team
- FY 2024 Scope of Services
- Audit Objectives
- Audit Strategy
- Significant Audit Areas
- 2024 Audit Timeline
- New GASB Standards
- Recent Accounting Pronouncements
- Questions
- Contact Information
THE ENGAGEMENT TEAM

Santa Clara Valley Water District
Engagement Team

Roger Martinez
Lead Partner

Cristy Canieda
Quality Control Partner

Jay Toledo
Engagement Director

Emer Jayson Fabro
Audit Supervisor

IT Audit Manager and Senior

Audit Seniors and Staff

IT team
FY 2024 SCOPE OF SERVICES
<table>
<thead>
<tr>
<th>Scope of Services – FYE June 30, 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Statement Audit</strong></td>
</tr>
<tr>
<td>• The audit will be completed no later than the end of December of each year.</td>
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<tr>
<td><strong>Single Audit</strong></td>
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<tr>
<td>• The audit reporting package must be submitted earlier of 30 days after the receipt of the report, or 9 months after the end of the fiscal year.</td>
</tr>
<tr>
<td><strong>Water Utility Enterprise Fund Audit</strong></td>
</tr>
<tr>
<td>• The audit will take place after Valley Water District Annual Audit and will be completed no later than three months after the Valley Water District Annual Audit.</td>
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</table>
Review of Treasurer’s Report

• To be prepared annually.
• The completion date of Treasurer’s report will coincide with the completion date of the Valley Water District Annual Audit.

Appropriation Limit Report

• To be prepared annually.
• The completion date of the Appropriation Limit Report will coincide with the completion date of the Valley Water District Annual Audit.

Agreed upon procedures on Compensation and benefits Policy Compliance Report

• To be prepared biennially starting with the audit of fiscal year 2023.
• This is not applicable for fiscal year 2024.
Agreed upon procedures on Travel Expense Reimbursement Process and Procedures

- Report will coincide with the completion date of the Valley Water District Annual Audit. To be prepared biennially starting with the audit of fiscal year 2022.
- This is applicable for fiscal year 2024

Advanced Water Treatment Facility (AWTF) Audit

- Audit will take place after Valley Water Wide Annual Audit and will be completed no later than one month after the Valley Water District Annual Audit.

Supplemental Services

- On an as needed basis
AUDIT OBJECTIVES
AUDIT OBJECTIVES

Reporting on Financial Statements of Valley Water.

Engagement focused on delivering service at three levels:

For the public and regulatory agencies
- Independent opinions and reports that provide assurance on the financial information released by Valley Water.

For the Board of Directors
- Assistance in satisfying their corporate governance compliance responsibilities.

For management
- Observations and advice on financial reporting, accounting and internal control issues from our professionals.
Primary Objective:
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 opinion.

Auditing standards generally accepted in the United States of America (GAAS); and

The standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and

Audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the U.S. Office of Management and Budget’s (OMB) Compliance Supplement.

Consider Valley Water’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements.
AUDIT STRATEGY
• Familiarize ourselves with changes to the operating environment
• Perform risk assessment procedures (assessment of inherent risk, control risk and risk of material misstatement)
• Perform preliminary analytical review
• Scope the audit, including procedures and locations
• Identify major program(s) for Single Audit testing.

- Phase I
- Phase II
- Phase III
- Phase IV

Audit Planning

Internal Control Evaluation and Testing

Substantive Testing

Completion

• Perform fraud risk and evaluation procedures
• Consider regulatory matters and communications
• Assess internal control environment
• Evaluate the design and functioning of key controls
• Review the IT control environment
• Test selected controls including those over the administration of federal funds
• Conclude as to internal control effectiveness; draft internal control comments.

• Perform substantive audit procedures including confirmations with third parties, account analyses and review of source documents
• Conduct final analytical review
• Consider audit evidence sufficiency
• Conclude on critical accounting and financial reporting matters
• Draft compliance findings, if any
• Discuss proposed audit adjustments with management.

• Perform completion procedures (representation letter, update of audit evidence, final reviews)
• Assist in preparing the financial statements.
• Evaluate the financial statements and disclosures
• Draft auditor’s reports on financial statements, internal controls and compliance
• Conduct exit conference, including audit adjustments, internal control and compliance findings and comments
• Issue auditor’s reports and management letter.
SIGNIFICANT AUDIT AREAS
## Audit Focus Area Risk/Concerns

<table>
<thead>
<tr>
<th>Audit Focus Area</th>
<th>Risk/Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology Controls</td>
<td>▪ The areas under review will include the following:</td>
</tr>
<tr>
<td></td>
<td>▪ IT Organization and Management</td>
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<td>▪ IT Policies and Procedures</td>
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<td>▪ Change Management</td>
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<td></td>
<td>▪ Information Security / User Access Management</td>
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<td>▪ Computer Operations (e.g. capacity planning, network management, helpdesk)</td>
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<td></td>
<td>▪ Incident Management</td>
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<td></td>
<td>▪ Data Integrity (DRP, backup, restoration, retention)</td>
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<tr>
<td>Management override of controls</td>
<td>▪ Management can manipulate financial results by overriding controls.</td>
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<tr>
<td></td>
<td>▪ Journal entries and other adjustments are not properly supported</td>
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<tr>
<td>Implementation of new GASB Standards</td>
<td>▪ Risk to accurate and complete application and implementation of the new GASB standards.</td>
</tr>
<tr>
<td></td>
<td>▪ Risk to accurate, complete, and understandable disclosures required by the new GASB standards.</td>
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## Audit Focus Area

<table>
<thead>
<tr>
<th>Audit Focus Area</th>
<th>Risk/Concerns</th>
</tr>
</thead>
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| Cash and cash equivalents | - Misappropriation of assets  
- Cash balances in excess of federally insured limits  
- Cash equivalents reported in the financial statements do not agree to amounts reflected in the account statements. |
| Investments            | - Improper valuation and presentation in the financial statements  
- Compliance with investment policy                                                                                                           |
| Receivables            | - Receivables on specific transactions may not exist.  
- Agency may have no control on receivables  
- Receivables are based on contingent events that should not be allowed if the company properly follows applicable accounting standards.  
- Receivables do not reflect their economic value.  
- Receivable aging is not correct regarding the collectability of receivables                                                                 |
| Revenue recognition    | - Revenues are not properly recognized in regard to restriction.  
- Exchange and non-exchange contracts are not properly identified and recognized.                                                                 |
<p>| Capital Assets         | - Capitalization of assets and depreciation are not in accordance with Valley Water’s policy                                                                                                      |</p>
<table>
<thead>
<tr>
<th>Audit Focus Area</th>
<th>Risk/Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures/ payroll</td>
<td>▪ Expenditures are not incurred in compliance with budgetary constraints and procurement policies. Payroll costs are not correctly allocated and are not supported by documentation of hours and rates.</td>
</tr>
</tbody>
</table>
| Accounts payable, accrued liabilities, commitments and contingencies | ▪ Understatement of accounts payable and accrued liabilities  
▪ Commitments and contingencies are not recognized and/or properly disclosed in the financial statements. |
| Procurement                             | ▪ Procurement is not in accordance with applicable regulations and policies.                                                                 |
| Net Pension Liability, Deferred Outflows and Inflows of resources and Pension Expense | ▪ Related accounts are not recorded in accordance with the requirements of GASB 68                                                      |
| Net Position                            | ▪ Improper presentation and classification of net position in regard to restriction                                                          |
| Federal grants                          | ▪ Uniform Guidance compliance is not reviewed to ensure that the expense level is below the threshold for the single audit requirement.  
▪ Grant expenditures are not reviewed for program compliance.  
▪ Compliance requirements are not met.                                                                 |
| Financial statements disclosures        | ▪ Subsequent events note is not properly disclosed.                                                                                         |
2024 AUDIT TIMELINE
## 2024 AUDIT TIMELINE (ACFR)

<table>
<thead>
<tr>
<th>TASKS</th>
<th>START</th>
<th>END</th>
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<tbody>
<tr>
<td><strong>PLANNING</strong></td>
<td></td>
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<tr>
<td>Board Presentation Meeting</td>
<td>6/18/2024</td>
<td>6/18/2024</td>
</tr>
<tr>
<td>Fraud interview with CFO</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td>Fraud interview with CEO</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Fraud interview with Council Members</td>
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<td><strong>YEAR-END AUDIT PROCESS</strong></td>
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<td>Interim Fieldwork</td>
<td>5/20/2024</td>
<td>5/24/2024</td>
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<tr>
<td>Final Fieldwork</td>
<td>8/12/2024</td>
<td>9/13/2024</td>
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<tr>
<td>Exit conference</td>
<td>9/30/2024</td>
<td>9/30/2024</td>
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<td><strong>FINANCIAL REPORTING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial draft financial statements to be provided</td>
<td>10/21/2024</td>
<td>10/22/2024</td>
</tr>
<tr>
<td>Submission to auditors of ACFR for preliminary review</td>
<td>10/28/2024</td>
<td>10/28/2024</td>
</tr>
<tr>
<td>Presentation of DRAFT ACFR to Board Audit Committee</td>
<td>11/20/2024</td>
<td>11/20/2024</td>
</tr>
<tr>
<td>Signed audit opinion letter received from the auditors (Report) and auditors’ reports</td>
<td>12/10/2024</td>
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<td>Presentation to the District Board</td>
<td>12/10/2024</td>
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</table>
NEW GASB STANDARDS
NEW GASB STANDARDS

GASB Statement No. 99 – Omnibus 2022 (related to financial guarantees and derivative instruments). The primary objectives of GASB 99 are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature.

- Financial Guarantees
  - Apply the liability recognition, liability measurement, and disclosure requirements in Statement 70 to governments that extend exchange or exchange-like financial guarantees

- Other derivative instruments
  - Change in fair value would be reported on the resource flow statement separately from invested revenues
  - Disclosures would be distinguished from hedging and investment derivative instruments
  - Disclosure of fair values of derivative instruments that we reclassified from hedging derivative instruments
NEW GASB STANDARDS, CONTINUED

GASB Statement No. 100 – Accounting Changes and Errors Corrections – an amendment of GASB Statement No. 62. The objective of this statement is to provide guidance for changes in the financial reporting entity, accounting principles, and estimates used to prepare financial information.

- Types of Accounting Changes/Corrections
  - Change in Accounting Principle
  - Change in Accounting Estimate
  - Change to or within the Financial Reporting Entity
  - Corrections of an Error

- RSI an SI
  - For change in accounting principle – do not restate periods earlier than those presented
  - Error correction – restate periods to the extent affected by the error, if practicable

- Effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
Implementation Guide 2021-1 Update (Q 5.1) - The objective of Question 5.1 is to clarify when a government should capitalize assets whose individual costs are less than the capitalization threshold for an individual asset.

- If these smaller assets are considered significant, they should be capitalized even if their individual costs fall below the threshold.
- Question 5.1 is effective for fiscal years beginning after June 15, 2023.
RECENT ACCOUNTING PRONOUNCEMENTS
GASB Statement No. 101 – Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

- This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- To be implemented in FY 2025
GASB Statement No. 102, Certain Risk Disclosures, requires entities to disclose critical information about their exposure to risk due to certain concentrations or limitations that could lead to financial distress or operational challenges. Specifically, this statement addresses financial reporting regarding concentrations and constraints that may have a substantial impact and negatively affect the level of service a government provides.

- This statement is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- To be implemented in FY 2025
GASB Statement No. 103, *Financial Reporting Model Improvements*, provides targeted improvements to the financial reporting model that was established for state and local governments in 1999 by GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*.

- This statement is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- To be implemented in FY 2026.
QUESTIONS
THANK YOU FOR YOUR TIME AND ATTENTION.
Vasquez + Company LLP has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

We are clients of the RSM Professional Services+ Practice. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.
COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If “YES” Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Receive and Discuss Financial Audit Report for the Pajaro River Watershed Flood Prevention Authority.

RECOMMENDATION:
Receive and discuss financial audit report for the Pajaro River Watershed Flood Prevention Authority.

SUMMARY:
At its regular March 20, 2024, meeting, the Board Audit Committee (BAC) reviewed the information noted below regarding JPAs for which Valley Water is a member, including the associated level of Valley Water investment in each:

1. Delta Conveyance Design and Construction JPA;
   a. Valley Water portion of capital investment estimated at $627M plus $2.5M per year in operations and maintenance costs (both figures in 2023 $’s)
2. Delta Conveyance Finance Authority;
   a. Provides financing for Delta Conveyance Design and Construction JPA
3. Los Vaqueros Reservoir JPA;
   a. Valley Water portion of capital investment estimated at $202M plus $3.2M per year in operations and maintenance costs (both figures in 2023 $’s)
4. Pajaro River Watershed Flood Prevention Authority;
   a. Valley Water pays a $10K annual membership fee
5. San Francisquito Creek JPA;
   a. Valley Water portion of capital investment estimated at $80M per FY 2024 -28 Board adopted CIP plus $250K per year operations and maintenance cost beginning in FY 2027
6. Santa Clara Valley HCP JPA;
   a. Valley Water pays land cover impact fees to the JPA averaging $700K per year since 2013. The fees are essentially regulatory permit fees, which provide budget for conservation actions (eg, land acquisition, habitat restoration) as well as general
administration of the JPA. Fees in FY 2025 are anticipated to be above average due to the Anderson Dam Seismic Retrofit Project.

7. San Luis & Delta Mendota Water Authority Board;
   a. Valley Water pays $3M to $4M per year in operations and maintenance fees and membership dues to SLDMWA for imported water, and another $1M to $2M per year for water transfers. The B.F. Sisk Dam Raise participation would be facilitated by SLDMWA.

The committee then requested to review the Fiscal Year 2023 financial audits of each of the seven JPAs as per its authority under Article IX of the BAC Charter.

At the April 12, 2024, BAC meeting two (2) JPA financial audit reports were provided:
   - FY 2023 Delta Conveyance Design and Construction Authority
   - FY 2023 Delta Conveyance Finance Authority

At the May 15, 2024, BAC meeting one (1) JPA financial audit report was provided:
   - FY 2023 Santa Clara Valley Habitat Conservation Program

As of the writing of this memo, one (1) additional JPA audited financial statement became available regarding the Pajaro River Watershed Flood Prevention Authority JPA and is provided as Attachment 1.

Staff will continue to monitor the other JPAs for their respective audit reports and will provide them at future BAC meetings as they become available.

The purpose of this item is to review and discuss the attached JPA financial audit report.

BAC Charter Background regarding JPA Audits

A summary of the JPA audit review activities authorized under Article IX of the charter is provided below:

- Through its review of JPA audits, the Committee may evaluate:
  - Whether the JPAs are complying with applicable legal requirements;
  - The financial condition of the JPAs;
  - Whether the JPAs are complying with the terms of their respective JPA Agreements;
  - Whether Valley Water’s interests are being met;
  - Whether there are any trends of concern in the activities of the JPA;
  - Whether there are any recommended areas for future audits for the JPA; and
  - Any specific questions of Valley Water’s Board.

- The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.

- In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
• The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.

The Committee’s authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water’s formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:
Review of JPA audits is not subject to environmental justice analysis.

ATTACHMENTS:
Attachment 1: PRWFPA Audited Financial Statements

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068
PAJARO RIVER WATERSHED
FLOOD PREVENTION AUTHORITY

FINANCIAL STATEMENTS
June 30, 2023
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**June 30, 2023**

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INDEPENDENT AUDITORS’ REPORT

The Board of Directors
Pajaro River Watershed Flood Prevention Authority
Monterey, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Pajaro River Watershed Flood Prevention Authority (the Authority) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Pajaro River Watershed Flood Prevention Authority, as of June 30, 2023, and the respective changes in financial position thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pajaro River Watershed Flood Prevention Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pajaro River Watershed Flood Prevention Authority’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.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pajaro River Watershed Flood Prevention Authority’s internal control. Accordingly, no such opinion is expressed.

• Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pajaro River Watershed Flood Prevention Authority’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 the budgetary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2024, on our consideration of the Pajaro River Watershed Flood Prevention Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Moss, Rea & Yoder LLP

Santa Maria, CA
January 25, 2024
Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) of Pajaro River Watershed Flood Prevention Authority (PRWFPA) presents an overview and analysis of the financial activities and changes in financial position for PRWFPA.

General

The purpose of the Pajaro River Watershed Flood Prevention Authority (PRWFPA) is to identify, evaluate, fund and implement environmentally sound flood prevention and control strategies in the Pajaro River Watershed, on an intergovernmental, cooperative basis as required by the Pajaro River Watershed Flood Prevention Authority Act (AB807 Keeley).

The Board of Directors of PRWFPA consists of eight members appointed one each from the Monterey County Board of Supervisors, the San Benito County Board of Supervisors, the Santa Clara County Board of Supervisors, the Santa Cruz County Board of Supervisors, the Board of Directors of the Monterey County Water Resources Agency, the Board of Directors of the San Benito County Water District, the Board of Directors of the Santa Clara Valley Water District and the Board of Directors of the Zone 7 Flood Control District subject to the provisions of Part 2, Chapter 1, section 401 of the Pajaro River Watershed Flood Prevention Authority Act.

The Board of Directors may also vote to invite, as associate members, governmental entities from within the watershed. Associate members are not entitled to vote or hold office.

In addition, the Board of Directors has established a standing committee of staff members from the involved Authority jurisdictions to advise the Board of Directors. It is called the Staff Working Group (SWG) and it is comprised of designated staff members from both voting and non-voting member jurisdictions.

During Fiscal Year (FY) 2022-2023 the PRWFPA activities included:

- PRWFPA continued to monitor and manage land acquisitions in the Soap Lake Floodplain, including coordination with The Nature Conservancy (TNC) on the potential sale of the Gonzales property and the Santa Clara Valley Open Space Authority (SCVOSA) on the potential easement conveyance on the Montes property. The properties were acquired by TNC and SCVOSA with funds from the PRWFPA Proposition 50 Grant and any lease or sale of the property requires prior approval by the Board of Directors and the State.
- PRWFPA continued to monitor the development of the Army Corps of Engineers (USACE) Pajaro River Flood Risk Reduction Project and
legislatively supported the efforts to fund and implement the project. Fiscal Year 20 through FY23 USACE Work Plan appropriations were sufficient to complete project design work. The PRWFPA continued to support non-federal sponsors engagement with various federal agencies, elected representatives and political appointees to secure full construction funding. On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) which infused $11.6 billion into the UACE budget for Corps’ projects. On March 29, 2022, the Biden Administration announced additional infrastructure funding for ports and waterways that included $67 million in construction funds awarded to the project in FY23.

- PRWFPA continued to coordinate with and offer support to the non-federal sponsors of the Corps project in their efforts to secure State funding for planning and design of the project. Local agencies in Monterey and Santa Cruz counties formed the Pajaro Regional Flood Management Agency (PRFMA), a joint powers authority to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries. The non-federal sponsor of the Corps project is responsible for funding 35% of project costs. SB 496 (Laird) authorized the California Department of Water Resources to fund 100% of the non-federal cost share.

- PRWFPA continued to monitor federal and state funding opportunities to identify and/or pursue supplemental studies and projects in support of the USACE project or complimentary flood risk reduction projects.

- PRWFPA, in collaboration with the Association of Monterey Bay Area Governments (AMBAG) and the Pajaro Regional Flood Management Agency (PRFMA), is seeking grant funding for the Pajaro Bridge Infrastructure Resilient Design Study (Pajaro BIRD Study) from the U.S. Department of Transportation Federal Highway Administration’s Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) Program. The Pajaro BIRD study will evaluate opportunities for increasing the resilience of the Highway 1 at the Pajaro River from the impacts of flooding, drainage impoundment, sea level rise, and climate change. The grant funding will support planning through the development of the Project Initiation Document (PID) and will include the study and evaluation of potential nature-based solutions in partnership with roadway/infrastructure improvements. The funding proposal is due in August 2023 and funding announcements are anticipated in FY24.

- PRWFPA continued to monitor the development of the California High Speed Rail San Jose to Merced Project Section, which will cross the Soap Lake Floodplain. When available, the PRWFPA will review the recommended alignment and design and evaluate floodplain and downstream flow impacts.

- PRWFPA continued to monitor the development of the Pacheco Reservoir Expansion Project. A new dam on Pacheco Creek would reduce the peak discharge in the Upper Pajaro River. It would consequently reduce peak discharge on the Lower Pajaro River and deliver flood protection benefits to the downstream Pajaro River Watershed.

- Held monthly Staff Working Group meetings to discuss PRWFPA issues and coordinate board packet items.
Financial Highlights

The MD&A is intended to serve as an introduction to PRWFPA’s basic financial statements. Consistent with Government Accounting Standards Board requirements, two years of financial information is provided to enable the reader to draw comparisons on the results of operations and financial position from year to year.

Net position increased by $37,929 over the fiscal year ending June 30, 2022.

The General Fund (agency fund) balance at fiscal year-end was $677,100. This amount is $37,929 more than one year ago.

PRWFPA’s cash and investments balance on June 30, 2023, was $689,416 representing an increase of $39,970 over one fiscal year ago.

Pajaro Revenues

Total revenues for FY 2022-2023 were $82,466, which was $1,966 more than budgeted because more interest was earned than anticipated. Revenues included interest income of $2,466 and $80,000 in membership contributions.

Overall Financial Position

The overall financial position of PRWFPA has remained consistent during the past twelve months.

Highlights of the Authority Funds

The General Fund contains all financial resources of PRWFPA. The fiscal year-end General Fund balance increased from $639,171 to $677,100. Expenditures were under final budget amounts due to an overall decrease in professional services resulting from the cancellation of the year’s Legislative Conference and the lack of opportunities to compete for grant funding and a decrease in expenditures for Administration resulting from conducting virtual Board and Staff Working Group meetings. There was a 5.934 percent increase in the General Fund balance this fiscal year from the prior fiscal year.

Budget: Amendments and Variances

The budget adopted on June 03, 2022, was not amended.

PRWFPA held no infrastructure assets during fiscal year 2022-2023.
Ongoing Activities for FY 2023-2024

- PRWFPA continues to encourage floodplain acquisitions by providing outreach to agencies and organizations pursuing acquisitions within the Soap Lake Floodplain and monitoring funding opportunities.
- PRWFPA will continue to pursue grant funding opportunities.
- Continue working with the Army Corps of Engineers and legislative representatives to discuss Watershed activities and the Pajaro River Flood Risk Reduction Project.
- PRWFPA will continue to identify new opportunities to fund floodplain acquisitions.
- PRWFPA will continue to review development proposals within the floodplain.

Request for Information

Anyone seeking clarification, having questions, or desiring more information about the topics discussed in this Management's Discussion and Analysis is requested to contact the Pajaro River Watershed Flood Prevention Authority Executive Coordinator via email at: info@ambag.org or by calling 831.883.3750. Written correspondence should be addressed to the PRWFPA Executive Coordinator c/o AMBAG, Post Office Box 2453, Seaside, California 93955-2453.
### PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY

#### STATEMENT OF NET POSITION

**June 30, 2023**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
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</thead>
<tbody>
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<td>Cash and investments</td>
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<td>Total liabilities</td>
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<th>NET POSITION</th>
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<tr>
<td>Restricted for flood prevention</td>
<td>677,100</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 677,100</td>
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The notes to basic financial statements are an integral part of this statement.
PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

<table>
<thead>
<tr>
<th></th>
<th>Program Revenues</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
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<tr>
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<td>Operating Contributions and Grants</td>
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<tr>
<td>Flood prevention</td>
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<td>Total governmental activities</td>
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General Revenues:

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<tbody>
<tr>
<td>Interest income</td>
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<td>Total general revenues</td>
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<tr>
<td>Change in net position</td>
<td>37,929</td>
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<tr>
<td>Net position, beginning of fiscal year</td>
<td>639,171</td>
</tr>
<tr>
<td>Net position, end of fiscal year</td>
<td>$677,100</td>
</tr>
</tbody>
</table>

The notes to basic financial statements are an integral part of this statement.
PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUND  
June 30, 2023

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund</th>
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<tbody>
<tr>
<td>Current Assets:</td>
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<td>Cash and investments</td>
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<tr>
<td>Total assets</td>
<td>$ 689,416</td>
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</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
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<tbody>
<tr>
<td>Liabilities:</td>
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</tr>
<tr>
<td>Accounts payable</td>
<td>$ 12,316</td>
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<tr>
<td>Total liabilities</td>
<td>12,316</td>
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<table>
<thead>
<tr>
<th>Fund Balance:</th>
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<tbody>
<tr>
<td>Restricted:</td>
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<tr>
<td>Flood prevention</td>
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<td>Total fund balance</td>
<td>677,100</td>
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<tr>
<td>Total liabilities and fund balance</td>
<td>$ 689,416</td>
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The notes to basic financial statements are an integral part of this statement.
## PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
### RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
#### June 30, 2023

<table>
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<th>Description</th>
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<tr>
<td>Total Fund Balance</td>
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<tr>
<td>Total Net Position</td>
<td>$677,100</td>
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The notes to basic financial statements are an integral part of this statement.
PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2023

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<th>General Fund</th>
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<td>Interest income</td>
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<td><strong>Total revenues</strong></td>
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<td>Expenditures:</td>
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<tr>
<td>Legal</td>
<td>$2,394</td>
</tr>
<tr>
<td>Professional services:</td>
<td></td>
</tr>
<tr>
<td>Soap Lake Preservation</td>
<td>$15,545</td>
</tr>
<tr>
<td>Other charges</td>
<td>$2,860</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>$44,537</strong></td>
</tr>
<tr>
<td>Excess of revenues over (under) expenditures</td>
<td>$37,929</td>
</tr>
<tr>
<td>Fund balance - beginning of fiscal year</td>
<td>$639,171</td>
</tr>
<tr>
<td>Fund balance - end of fiscal year</td>
<td><strong>$677,100</strong></td>
</tr>
</tbody>
</table>

The notes to basic financial statements are an integral part of this statement.
PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Fund Balance</td>
<td>37,929</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>37,929</td>
</tr>
</tbody>
</table>

The notes to basic financial statements are an integral part of this statement.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.Organization

The Pajaro River Watershed Flood Prevention Authority (PRWFPA) was organized on July 1, 2000, under the authorization of Chapter 963 of Assembly Bill No. 807, approved on October 10, 1999. The PRWFPA undertakes flood prevention and control projects within the boundaries of the Pajaro River Watershed. The PRWFPA may levy and collect assessments and special taxes and sell bonds in accordance with prescribed procedures. The Pajaro River Watershed consists of more than 1,400 square miles of land. Much of the watershed is prime agricultural and rangeland, providing a strong base for the region’s economy. The Pajaro River Watershed includes portions of San Benito, Santa Clara, Santa Cruz, and Monterey Counties. The Assembly Bill No. 807, designates the board of supervisors of certain counties and the boards of directors of certain local Authority as appointing directors.

B. Reporting Entity

The reporting entity is the Pajaro River Watershed Flood Prevention Authority (the Authority). There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80 and No. 90.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *The direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

D. Basis of Presentation

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Authority does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

**Fund Financial Statements:**

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. PRWFPA does not have fiduciary funds.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds’ present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**Revenues – exchange and non-exchange transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, “available” means collectible within the current period or within 60 days after fiscal year end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Expenses/expenditures:**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. **Fund Accounting**

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Authority’s resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority’s accounts are organized into one major fund:

**Major Governmental Fund**

The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

G. **Budgets and Budgetary Accounting**

The Authority adopts an annual budget on or before June 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Directors may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Professional contracts entered into by the Authority are subject to annual review by the Board of Directors.

H. **Investments**

Investments are stated at fair value.

I. **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the Authority.

J. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. **Fund Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balances (Continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Authority's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Authority.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2023, the Authority had the following cash and investments on hand:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank</td>
<td>$548,078</td>
</tr>
<tr>
<td>Investments</td>
<td>$141,338</td>
</tr>
<tr>
<td><strong>Total cash and investments</strong></td>
<td><strong>$689,416</strong></td>
</tr>
</tbody>
</table>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority did not have investments that are measured under Level 1, Level 2, or Level 3.

**Investments Authorized by the California Government Code**

The table on the following page identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.
NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Authority Bonds</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Authority Securities</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Bankers’ Acceptances</td>
<td>180 days</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>92 days</td>
<td>20% of base value</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>5 years</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>5 years</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>County Pooled Investment Fund</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Authority Investment Fund (LAIF)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>JPA Pools (other investment pools)</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>Remaining Maturity (in Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 Months or Less</td>
<td>13 - 24 Months</td>
</tr>
<tr>
<td>LAIF</td>
<td>$141,338</td>
<td>$141,338</td>
</tr>
<tr>
<td>Total</td>
<td>$141,338</td>
<td>$141,338</td>
</tr>
</tbody>
</table>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by the California Government Code, and the actual rating as of fiscal year end for each investment type.
NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Carrying Amount</th>
<th>Minimum Legal Rating</th>
<th>Exempt from Legal Rating Disclosure</th>
<th>Rating as of Fiscal Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$141,338</td>
<td>N/A</td>
<td>$-</td>
<td>AAA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$-</td>
<td>Aa</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$-</td>
<td>Not Rated</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$141,338</td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the Authority’s deposits with financial institutions in excess of the federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

NOTE 3 – CONTINGENCIES

No contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

NOTE 4 – NET POSITION

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority was charged $22,658 by Regional Analysis and Planning Services, Inc. (RAPS), which is a component unit of the Association of Monterey Bay Area Governments (AMBAG), for shared personnel and administrative services. As of June 30, 2023, $6,757 was an inter organization payable.
REQUIRED SUPPLEMENTARY INFORMATION
### PAJARO RIVER WATERSHED FLOOD PREVENTION AUTHORITY

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Fiscal Year Ended June 30, 2023

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Original</th>
<th>Final</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership administrative contributions</td>
<td>$80,000</td>
<td>$80,000</td>
<td>$80,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Interest income</td>
<td>500</td>
<td>500</td>
<td>2,466</td>
<td>1,966</td>
</tr>
</tbody>
</table>

**Total revenues** 80,500 80,500 82,466 1,966

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>Original</th>
<th>Final</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Analysis and Planning Services, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>45,000</td>
<td>45,000</td>
<td>22,658</td>
<td>22,342</td>
</tr>
<tr>
<td>Legal</td>
<td>10,000</td>
<td>10,000</td>
<td>2,394</td>
<td>7,606</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,400</td>
<td>1,400</td>
<td>1,080</td>
<td>320</td>
</tr>
<tr>
<td>Professional Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soap Lake Preservation</td>
<td>70,000</td>
<td>70,000</td>
<td>15,545</td>
<td>54,455</td>
</tr>
<tr>
<td>Other charges</td>
<td>18,255</td>
<td>18,255</td>
<td>2,860</td>
<td>15,395</td>
</tr>
</tbody>
</table>

**Total expenditures** 144,655 144,655 44,537 100,118

| Excess of revenues over (under) expenditures | (64,155) | (64,155) | 37,929 | 102,084 |

Fund balance - July 1 639,171 639,171 639,171

Fund balance - June 30 $575,016 $575,016 $677,100 $102,084
SUBJECT: Discuss 2024 Annual Audit Plan (Including Information Technology, Human Resources and Board Policies Audits), and Provide Further Guidance as Needed.

RECOMMENDATION:
A. Discuss 2024 Annual Audit Plan;
B. Provide further guidance as needed;
C. Receive information regarding initiation of Information Technology Audit and Human Resources Audit.

SUMMARY:
The purpose of this agenda item is to discuss the 2024 Annual Audit Plan, discuss any new related information as appropriate, and provide any guidance the BAC deems appropriate.

2024 Annual Audit Plan Background

On November 15, 2023, the Chief Audit Executive (CAE) presented the 2023 Risk Assessment Final Report to the Board Audit Committee (BAC) assessing operational risks to the Santa Clara Valley Water District (“Valley Water”). The Risk Assessment analysis helped to develop heat maps of Valley Water operational areas based on risk impact (low, moderate, and high risk). The results of the risk assessment included input from Valley Water’s Board of Directors (the Board), executives, and management and was used to help develop the proposed 2024 Annual Audit Plan. The CAE identified and discussed with the BAC the 12 audit topics identified as the highest priority in the Risk Assessment. The BAC then instructed the CAE to present the same information to the full Board for discussion and feedback.

On December 12, 2023, the 2023 Risk Assessment Final Report was presented to the Board for discussion. The CAE received feedback from the Board and discussed that feedback at the December 20, 2023, BAC meeting. The BAC members agreed on four (4) audit topics as the proposed 2024 Annual Audit Plan. The proposal was recommended to the full Board for approval at
their January 23, 2024, meeting.

During the December 20, 2023, BAC meeting, the CAE recommended staggering the start dates for the audits and assigning a portion of the audit engagements to the pool of firms available to the BAC. Furthermore, the CAE proposed that Sjoberg Evashenk Consulting conduct two of the audits (Capital Project Delivery and Board Policies), and the other two firms available to the BAC perform the remaining two audits (Human Resources and Information Technology). The BAC received the information but gave no guidance at that time.

At the January 23rd, 2024, Board meeting the Board approved three (3) of the proposed topics to proceed as the 2024 Annual Audit Plan, and instructed staff to delay one of the topics to Calendar Year 2025 (CY 25). The three (3) audit topics identified to proceed in CY 24 are as follows:

1) Compliance with and Progress Toward Meeting Board Policies
2) Human Resources
3) Information Technology

The Capital Project Delivery audit topic was delayed to CY 25 to allow staff time to fully implement recommendations from prior audits.

At its February 23rd, 2024, BAC Meeting the CAE proposed the following schedule intended to achieve the completion of each performance audit by December 2024, with the potential that one audit, the performance audit of Valley Water’s compliance with and progress toward meeting board policies, may extend into early 2025.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The CAE also proposed that each of three audit firms in the Board’s auditor pool be assigned one of the audits. Specifically, the CAE recommends assigning Information Technology to Plante Moran, Human Resources to Moss Adams, and Board Policies to Sjoberg Evashenk Consulting. The BAC voted to present the information to the full Board during one of its regular public meetings in March.

At its March 26th, 2024, Board meeting, the Board agreed with the BAC’s recommendations and approved the 2024 Annual Audit Plan.

As of May 22nd, 2024, the task order for the Human Resources Audit has been approved and a kickoff meeting has been set for June 17, 2024. Additionally, for the Information Technology Audit, staff is reviewing the draft scope of work for the task order and will schedule the kickoff meeting after the final task order is approved.

For this item, the BAC is asked to consider the audit plan and provide any proposed modifications for staff to present to the full Board for consideration.
ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:
The Annual Audit Plan is not subject to environmental justice analysis. The Annual Audit Plan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:
None.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068
COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐  No ☒
(If “YES” Complete Attachment A - Gov. Code § 84308)

SUBJECT: Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.

RECOMMENDATION:
Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 BAC Work Plan.

SUMMARY:
Per the BAC’s Charter, Article III, Paragraph 6.2, “The Committee shall, in coordination with Valley Water’s Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee.”

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change.

At the time this memo was drafted, there was only one minor change to the work plan. An additional topic was identified for the June BAC meeting so staff could provide the BAC with the fourth of seven JPA financial audits requested by the BAC members.

Looking forward, the topics of discussion identified for the July 17, 2024, BAC Meeting can be summarized as follows:
1. 2024 BAC Work Plan
2. Annual Audit Plan for CY 2024

Upon review, the BAC may make changes to be incorporated into the work plan.
ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:
The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:
Attachment 1: 2024 BAC Work Plan

UNCLASSIFIED MANAGER:
Candice Kwok-Smith, 408-630-3193
### BOARD AUDIT COMMITTEE 2024 WORKPLAN
January 1, 2024 to December 31, 2024

<table>
<thead>
<tr>
<th>No. of Topics:</th>
<th>5 6 7 4 5 6 2 9 3 2 4 2</th>
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#### # Board Audit Committee Management

<table>
<thead>
<tr>
<th>#</th>
<th>Topic</th>
<th>Dates</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Conduct Annual Self-Evaluation</td>
<td>Jan-17</td>
</tr>
<tr>
<td>2</td>
<td>Receive and Discuss CAE Activity Report to Evaluate Performance</td>
<td>Feb-23</td>
</tr>
<tr>
<td>3</td>
<td>Election of BAC Chair and Vice Chair</td>
<td>Mar-20</td>
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<tr>
<td>4</td>
<td>Discuss Board Audit Committee Audit Charter</td>
<td>Apr-12</td>
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<tr>
<td>5</td>
<td>Discuss Scope of Annual Audit Training</td>
<td>May-15</td>
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<tr>
<td>6</td>
<td>Receive Annual Audit Training</td>
<td>Jun-18</td>
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<tr>
<td>7</td>
<td>Review and Update BAC Work Plan</td>
<td>Jul-17</td>
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<tr>
<td></td>
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<td>Aug-21</td>
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<tr>
<td></td>
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<td>Sep-18</td>
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<td>Oct-16</td>
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<td>Nov-20</td>
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<td>Dec-18</td>
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#### Board Audit Committee Special Requests

<table>
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<th>#</th>
<th>Topic</th>
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<tbody>
<tr>
<td>8</td>
<td>Review of Joint Powers Authority (JPA) audits</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Discuss Board's CAE Contract (expires 11/22/24)</td>
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#### Board-directed Audits

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<thead>
<tr>
<th>#</th>
<th>Topic</th>
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<tbody>
<tr>
<td>10</td>
<td>2020 SCW Program Grants Management</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>2021 Permitting Best Practices</td>
<td></td>
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<tr>
<td>12</td>
<td>2023 CIP Performance</td>
<td></td>
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<tr>
<td>13</td>
<td>2024 Audit - TBD</td>
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<tr>
<td>14</td>
<td>2024 Audit - TBD</td>
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<tr>
<td>15</td>
<td>2024 Audit - TBD</td>
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<td>16</td>
<td>2024 Audit - TBD</td>
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#### CAE Standing Topics

<table>
<thead>
<tr>
<th>#</th>
<th>Topic</th>
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<tbody>
<tr>
<td>17</td>
<td>Review and Update Annual Audit Plan</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Discuss next Annual Audit Plan</td>
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<tr>
<td>19</td>
<td>Discuss the draft Annual Audit Plan, and Recommend Proposed Audit Topics for Board Approval</td>
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#### Management-directed, Program-required, & 3rd-Party Audits

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<thead>
<tr>
<th>#</th>
<th>Topic</th>
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<tbody>
<tr>
<td>20</td>
<td>2022 QEMS Improvements Implementation</td>
<td></td>
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<tr>
<td>21</td>
<td>2012 SCW Program Performance Close-out Audit</td>
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<td>22</td>
<td>2023 IT Surplus Equipment Audit</td>
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#### Miscellaneous 3rd-Party Financial Audits

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<tbody>
<tr>
<td>23</td>
<td>Financial Status - Periodic Updates</td>
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<tr>
<td>24</td>
<td>Audit Report of the Water Utility Enterprise Funds</td>
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<tr>
<td>25</td>
<td>Audited Financial Statements</td>
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#### Staff Standing Topics

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<tr>
<td>26</td>
<td>Audit Recommendations Implementation Status</td>
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<td>27</td>
<td>Receive QEMS Annual Internal Audit Report</td>
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#### Committee Clerk Action Items (not included in count shown in Row 3 above)

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<tbody>
<tr>
<td>28</td>
<td>Provide BAC Summary Report to full Board</td>
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