

Reports of Independent Auditors and Financial Statements with
Required Supplementary Information

**Pajaro River Watershed
Flood Prevention Authority**

June 30, 2025

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Report of Independent Auditors

The Board of Directors
Pajaro River Watershed Flood Prevention Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pajaro River Watershed Flood Prevention Authority (the "Authority") as of and for the year ended June 30, 2025, 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 the Authority as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 16, 2026, 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.



Santa Maria, California
February 12, 2026

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) 2024-2025 the PRWFPA activities included:

- PRWFPA is working with The Nature Conservancy (TNC) on the sale of land in the Soap Lake project area purchased with PRWFPA grant funds. The PRWFPA is coordinating with TNC to ensure the flood easement requirements are preserved through the property transfer.
- PRWFPA continued to monitor and manage land acquisitions in the Soap Lake Floodplain.
- PRWFPA continued to coordinate with and offer support to the non-federal sponsors of the Corps project in their efforts to implement 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 the development of the Army Corps of Engineers (USACE) Pajaro River Flood Risk Management Project and legislatively supported the efforts to fund and implement the project.
- 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), submitted a grant application for the Pajaro Bridge Infrastructure Resilient Design Study (Pajaro

BIRDS) from the California Department of Transportation's Sustainable Planning Grant Program. The Pajaro BIRDS study will integrate into the large project to update the levee along Pajaro River. The study evaluates 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 by improving the Highway 1 bridge to better serve commuters, the environment, and protect the surrounding community from future flood risk. The grant funding will support planning through the development of the Project Initiation Document (PID), which will allow the project to move into the final design phase stage in 2027 or beyond. The project will also include evaluation of potential nature-based solutions in combination with access and infrastructure improvements. The funding award was announced on July 9, 2024. In early 2025 the project entered procurement, and in March 2025 Mark Thomas & Company, Inc. was selected as the project consultant. Between April and June 2025, the consultant prepared the draft existing conditions report and draft outreach strategy in preparation for continued work in FY2025-26.

- 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.
- 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 \$43,727 over the fiscal year ending June 30, 2024.

The General Fund (agency fund) balance at fiscal year-end was \$750,533. This amount is \$43,727 more than one year ago.

PRWFPA's cash and investments balance on June 30, 2025, was \$760,401 representing an increase of \$42,500 over one fiscal year ago.

Pajaro Revenues

Total revenues for FY 2024-2025 were \$86,898, which was \$1,898 more than budgeted because more interest was earned than anticipated. Revenues included interest income of \$6,898 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 \$706,806 to \$750,533. 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 6.2 percent increase in the General Fund balance this fiscal year from the prior fiscal year.

Budget: Amendments and Variances

The budget adopted on June 24, 2024, was not amended.

PRWFPA held no infrastructure assets during fiscal year 2024-2025.

Ongoing Activities for FY 2025-2026

- 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 USACE and legislative representatives to discuss Watershed activities and the Pajaro River Flood Risk Management 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.

Basic Financial Statements

Pajaro River Watershed Flood Prevention Authority

Statement of Net Position

June 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ <u>760,401</u>
Total assets	<u>760,401</u>
LIABILITIES	
Accounts payable and accrued expenses	<u>9,868</u>
Total liabilities	<u>9,868</u>
NET POSITION	
Restricted for flood prevention	<u>750,533</u>
Total net position	<u><u>\$ 750,533</u></u>

See accompanying notes to basic financial statements.

Pajaro River Watershed Flood Prevention Authority

Statement of Activities

Year Ended June 30, 2025

	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Contributions	Changes in
			and Grants	Net Position
Governmental activities				
Flood prevention	\$ 43,171	\$ 80,000	\$ —	\$ 36,829
Total governmental activities	<u>\$ 43,171</u>	<u>\$ 80,000</u>	<u>\$ —</u>	<u>36,829</u>
General revenues				
Interest income				<u>6,898</u>
Total general revenues				<u>6,898</u>
Change in net position				43,727
NET POSITION, beginning of year				<u>706,806</u>
NET POSITION, end of year				<u>\$ 750,533</u>

See accompanying notes to basic financial statements.

Pajaro River Watershed Flood Prevention Authority

Balance Sheet – Governmental Fund

June 30, 2025

	<u>General Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 760,401
Total assets	<u>\$ 760,401</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenses	<u>9,868</u>
Total liabilities	<u>9,868</u>
FUND BALANCE	
Restricted	
Flood prevention	<u>750,533</u>
Total fund balance	<u>750,533</u>
Total liabilities and fund balance	<u>\$ 760,401</u>

See accompanying notes to basic financial statements.

Pajaro River Watershed Flood Prevention Authority
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position
June 30, 2025

Total fund balance - governmental funds	<u>\$ 750,533</u>
Total net position - governmental activities	<u><u>\$ 750,533</u></u>

See accompanying notes to basic financial statements.

Pajaro River Watershed Flood Prevention Authority
Statement of Revenues, Expenditures, and Changes in Fund
Balance – Governmental Fund
Year Ended June 30, 2025

	General Fund
	<u> </u>
REVENUES	
Membership administrative contributions	\$ 80,000
Interest income	<u> 6,898</u>
Total revenues	<u> 86,898</u>
EXPENDITURES	
Regional Analysis and Planning Services, Inc. Administration	24,643
Insurance	1,172
Legal	2,117
Professional services	
Soap Lake Preservation	13,721
Other charges	<u> 1,518</u>
Total expenditures	<u> 43,171</u>
NET CHANGE IN FUND BALANCE	43,727
FUND BALANCE, beginning of year	<u> 706,806</u>
FUND BALANCE, end of year	<u><u> \$ 750,533</u></u>

See accompanying notes to basic financial statements.

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
Year Ended June 30, 2025

Net change in fund balance - governmental funds	<u>\$ 43,727</u>
Change in net position - governmental activities	<u><u>\$ 43,727</u></u>

See accompanying notes to basic financial statements.

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

A. Organization

The Pajaro River Watershed Flood Prevention Authority (the “Authority”) was organized on July 1, 2000, under the authorization of Chapter 963 of Assembly Bill No.807, approved on October 10, 1999. The Authority undertakes flood prevention and control projects within the boundaries of the Pajaro River Watershed. The Authority 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.

The reporting entity is the Pajaro River Watershed Flood Prevention Authority. There are no component units included in this report which meet 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.

B. Basis of Presentation and Measurement Focus

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the authoritative body responsible for establishing these principles for state and local governments.

Government-wide financial statements – The government-wide financial statements consist of the statement of net position and the statement of activities and display information about the primary government (the Authority).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison of direct expenses and program revenues for the Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include grants that are restricted to meeting the operational or capital requirements of the Authority. Revenues that are not classified as program revenues, including investment income, are presented as general revenues.

Fund financial statements – The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balances. These statements are presented on a current-financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal year.

All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenue recognition – Revenues are classified based on the nature of the transaction and recognized in accordance with the applicable basis of accounting, as established by GASB

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis— for State and Local Governments*.

Exchange transactions – Transactions in which each party receives and sacrifices essentially equal value are recognized under the accrual basis when the exchange occurs, and under the modified accrual basis when the resulting revenues are both measurable and available.

Nonexchange transactions – Transactions such as grants and property taxes, in which the Authority receives value without directly providing equal value in return, are recognized under the accrual basis when all eligibility requirements are met. Under the modified accrual basis, nonexchange revenues are recognized when both measurable and available to finance current-period expenditures.

C. **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 balances, 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 reports its financial activity in one major governmental fund:

General Fund – This fund is the primary operating fund of the Authority. It accounts for all financial resources and activities not required to be reported in another fund.

D. **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.

E. **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services and are typically used to reserve portions of appropriations prior to actual expenditures. The Authority does not utilize encumbrance accounting. Accordingly, purchase orders, contracts, and other commitments are not recorded until actual expenditures are incurred.

F. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

G. Fund Balance Classification

Fund balance in the governmental fund is reported in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and is classified based on the relative strength of the constraints that control how specific amounts can be spent. The classifications are defined as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, such as prepaid items, or are legally or contractually required to remain intact.

Restricted – includes amounts that are constrained for specific purposes by external parties, such as creditors, grantors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to formal action of the Authority's governing board. Such constraints can only be changed or removed by the same type of formal action.

Assigned – includes amounts that are intended to be used for a specific purpose but do not meet the criteria to be classified as restricted or committed. Assignments may be made by the governing board or by an official to whom the board delegates authority.

Unassigned – is the residual classification for the General Fund. It includes all amounts not classified in the categories described above. Unassigned amounts are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, the Authority applies restricted resources first. For unrestricted fund balance amounts, the Authority's policy is to apply committed funds first, followed by assigned funds, and then unassigned funds as necessary.

H. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

Note 2 – Cash and Investments

Investments are carried at fair value. On June 30, 2025, the Authority had the following cash and investments on hand:

Cash in bank	\$ 606,839
Investment in Local Agency Investment Fund	<u>153,562</u>
 Total cash and investments	 <u>\$ 760,401</u>

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. 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 at Level 1, Level 2, or Level 3 as of June 30, 2025.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations – CA and Others	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Bankers' Acceptances	180 Days	40%	None
Commercial Paper	270 Days	25%	\$0
Negotiable Certificates of Deposit	5 Years	30%	None
Non-negotiable Certificates of Deposit	5 Years	50%	None
Placement Services Deposits	5 Years	50%	None
Repurchase and Reserve			
Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	None
Mutual Funds	N/A	20%	\$0
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
State Registered Warrants, Notes or Bonds	N/A	None	None
Notes and Bonds for other Local California Agencies	5 Years	None	None
California Cooperative Liquid Asset Securities Systems	5 Years	None	None
Local Agency Investment Fund	5 Years	None	\$75,000,000

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

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 fiscal agents) to market interest rate fluctuations is provided by the following table, that shows the distribution of the Authority's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 153,562	\$ 153,562	\$ –	\$ –	\$ –
Total	\$ 153,562	\$ 153,562	\$ –	\$ –	\$ –

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 below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Local Agency Investment Fund	\$ 153,562	N/A	\$ –	\$ –	\$ –	\$ 153,562
Total	\$ 153,562		\$ –	\$ –	\$ –	\$ 153,562

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.

Pajaro River Watershed Flood Prevention Authority

Notes to Basic Financial Statements

June 30, 2025

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

Investment in Local Agency Investment Fund – The Authority is a participant in the Local Agency Investment Fund (LAIF), which is regulated by the California Government Code under the oversight of the State Treasurer. The fair value of the Authority's investment in LAIF is reported in the accompanying basic financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3 – Commitments and Contingencies

Litigation – According to the Authority's staff, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

Note 4 – Net Position

The government-wide financial statements utilize a net position presentation. 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 \$24,643 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, 2025, \$9,868 was an inter-organization payable.

Required Supplementary Information

Pajaro River Watershed Flood Prevention Authority
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Membership administrative contributions	\$ 80,000	\$ 80,000	\$ 80,000	\$ –
Interest income	5,000	5,000	6,898	1,898
Total revenues	<u>85,000</u>	<u>85,000</u>	<u>86,898</u>	<u>1,898</u>
EXPENDITURES				
Regional Analysis and Planning Services, Inc. Administration	45,000	45,000	24,643	20,357
Insurance	1,400	1,400	1,172	228
Legal	20,000	20,000	2,117	17,883
Professional services				
Soap Lake Preservation	82,640	82,640	13,721	68,919
Other charges	12,000	12,000	1,518	10,482
Total expenditures	<u>161,040</u>	<u>161,040</u>	<u>43,171</u>	<u>117,869</u>
NET CHANGE IN FUND BALANCE	(76,040)	(76,040)	43,727	119,767
FUND BALANCE - beginning of year	<u>706,806</u>	<u>706,806</u>	<u>706,806</u>	<u>–</u>
FUND BALANCE - end of year	<u>\$ 630,766</u>	<u>\$ 630,766</u>	<u>\$ 750,533</u>	<u>\$ 119,767</u>

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Pajaro River Watershed Flood Prevention Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Pajaro River Watershed Flood Prevention Authority (the “Authority”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Pajaro River Watershed Flood Prevention Authority’s basic financial statements, and have issued our report thereon dated February 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pajaro River Watershed Flood Prevention Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pajaro River Watershed Flood Prevention Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Pajaro River Watershed Flood Prevention Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pajaro River Watershed Flood Prevention Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss, Levy & Hartzheim LLP".

Santa Maria, California
February 12, 2026