

SUMMARY FOR AUDIT DISCUSSION

1. Audits
 - a. Audit report combined FYE 2020-2022
 - b. FYE 2023 & 2024 Individual reports
 - c. All years received an unmodified opinion
 - d. FYE 2024 Audit report discussion
 1. Statement of Net Position
 2. Statement of Revenue/Expenditures
 3. Cash Flow
 4. Notes
 - e. Safer Bay Project

2. Management Letter comments
 - a. Annual audits
 - b. Accounting Department Staffing
 - c. Separate classes for projects in accounting software
 - d. IT Assistance

**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEARS ENDING JUNE 30, 2022, 2021 & 2020**



**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY**

Draft

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022, 2021 & 2020
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinions

We have audited the accompanying financial statements of the net position of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2022, 2021 and 2020, 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 Authority's, as of June 30, 2022, 2021 and 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 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,

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 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 that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Oakland, California
September XX, 2025

Draft

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2022, 2021 and 2020

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2022, 2021 and 2020. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2022, 2021 and 2020.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2022, 2021 and 2020, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by \$414,651 for fiscal year ending (FYE) June 30, 2022, \$512,410 for FYE 2021 and (\$108,377) for FYE 2020 from the prior year. The composition of net position as of June 30, 2022, 2021 and 2020 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2022, 2021 and 2020

	<i>FY 21-22</i>	<i>FY 20-21</i>	<i>FY19-20</i>
Cash	\$1,447,271	\$1,220,735	1,507,309
Prepaid Expenses	9,607	9,247	8,232
Total assets	<u>1,456,878</u>	<u>1,229,982</u>	<u>1,515,541</u>
Deferred Outflows of Resources	17,780	35,603	35,603
Accounts Payable	269	12,929	8,083
Accrued Salaries and Benefits	78,736	76,923	54,255
Credit Card Payable	300	1,032	
Unearned Grant Income	255,654	451,530	1,246,635
Net Pension Liability	170,514	294,956	326,366
Total liabilities	<u>638,395</u>	<u>837,370</u>	<u>1,635,339</u>
Deferred Inflows of Resources	138,406	12,087	12,087
Net Position	<u>\$830,779</u>	<u>\$416,128</u>	<u>\$(96,282)</u>

Unearned Grant Income decreased by \$195,876 for FYE 2022, \$795,105 for FYE 2021 and increased by \$684,026 for FYE 2020. Net pension Liability decreased by \$124,442 for FYE 2022, \$31,410 for FYE 2021 and increased by \$83,186 for FYE 2020.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2022, 2021 and 2020, the Authority's net position increased by increased by \$414,651 for FYE 2022, \$512,410 for FYE 2021 and (\$108,377) for FYE 2020 from the prior year. This change in net position is shown in the following table:

	<i>FY 21-22</i>	<i>FY 20-21</i>	<i>FY19-20</i>
Total operating revenues	\$1,686,200	\$1,540,000	\$925,000
Total operating expenses	999,679	963,542	1,138,255
Operating profit (loss)	686,521	576,458	(213,255)
Net non-operating revenues(expenses)	(271,870)	(64,048)	104,878
Change in net position	<u>414,651</u>	<u>512,410</u>	<u>(108,377)</u>
Net position, beginning of year	416,128	(96,282)	12,095
Net position, end of year	<u>\$ 830,779</u>	<u>\$ 416,128</u>	<u>\$(96,282)</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2022, 2021 and 2020

Operating revenues are comprised of Member Entity contributions. Each member contributed \$337,240 in fiscal year 2021-2022, \$308,000 in fiscal year 2020-2021 and \$185,000 in fiscal year 2019-2020.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2022, 2021 and 2020, increased by \$36,137, decreased by \$174,713 and increased by \$194,434 respectively.

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

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**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30,**

ASSETS

CURRENT ASSETS	2022	2021	2020
Cash and Investments	\$ 1,447,271	\$ 1,220,735	\$ 1,507,309
Prepaid Expenses	9,607	9,247	8,232
Total Assets	<u>1,456,878</u>	<u>\$ 1,229,982</u>	<u>1,515,541</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	<u>\$ 17,780</u>	<u>\$ 35,603</u>	<u>\$ 35,603</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 269	\$ 12,929	8,083
Accrued Salaries and Benefits	78,736	76,923	
Credit Card Payable	300	1,032	54,255
Unearned Grant Income	255,654	451,530	1,246,635
Total Current Liabilities	<u>334,959</u>	<u>542,414</u>	<u>1,308,973</u>

NONCURRENT LIABILITY

Net Pension Liability	<u>170,514</u>	<u>294,956</u>	<u>326,366</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension	<u>138,406</u>	<u>12,087</u>	<u>12,087</u>
Total Deferred Inflows of Resources	138,406	12,087	12,087

NET POSITION-UNRESTRICTED

	<u>\$ 830,779</u>	<u>\$ 416,128</u>	<u>\$ (96,282)</u>
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See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 337,240	\$ 337,240	\$
City of East Palo Alto	337,240	337,240	
City of Menlo Park	337,240	337,240	
Santa Clara Valley Water District	337,240	337,240	
San Mateo County Flood Control District	337,240	337,240	
Total Operating Revenues	1,686,200	1,686,200	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	481,434	524,541	(43,107)
Benefits	219,673	254,500	(34,827)
Payroll Taxes	92,566	62,000	30,566
Personnel Services	19,846	18,000	1,846
Auto Allowances	5,000	5,000	
Legal	54,142	130,000	(75,858)
Financial/CPA		20,000	(20,000)
Grant Administrator	25,900		25,900
Office Expense	100,387	98,400	1,987
Consultant Services/Studies		70,000	(70,000)
Contingency	731	35,000	(34,269)
Total Operating Expenses	999,679	1,217,441	(217,762)
Operating Profit(Loss)	686,521	468,759	217,762
NON-OPERATING REVENUES (EXPENSES):			
Interest	2,711	3,500	(789)
Miscellaneous Income	503		
Grants	350,952		350,952
Consultant Services/Project	(626,036)	(511,500)	(114,536)
Total Non-Operating Revenues(Expenses)	(271,870)	(508,000)	235,627
CHANGES IN NET POSITION	414,651	(39,241)	453,389
NET POSITION, BEGINNING OF YEAR	416,128		416,128
NET POSITION, END OF YEAR	\$ 830,779	\$ (39,241)	\$ 869,517

See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 308,000	\$ 308,000	\$
City of East Palo Alto	308,000	308,000	
City of Menlo Park	308,000	308,000	
Santa Clara Valley Water District	308,000	308,000	
San Mateo County Flood Control District	308,000	308,000	
Total Operating Revenues	<u>1,540,000</u>	<u>1,540,000</u>	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	495,259	493,398	1,861
Benefits	108,764	270,000	(161,236)
Payroll Taxes	85,417	50,000	35,417
Personnel Services	10,023	11,000	(977)
Auto Allowances	5,000	5,000	
Legal	122,064	150,000	(27,936)
Financial/CPA		20,000	(20,000)
Grant Administrator	33,895		33,895
Office Expense	101,669	89,175	12,494
Consultant Services/Studies		50,000	(50,000)
Contingency	1,451	35,000	(33,549)
Total Operating Expenses	<u>963,542</u>	<u>1,173,573</u>	<u>(210,031)</u>
Operating Profit(Loss)	<u>576,458</u>	<u>366,427</u>	<u>210,031</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	1,779	3,000	(1,221)
Miscellaneous Income	241		
Grants	868,587	65,000	803,587
Consultant Services/Project	(934,655)	(431,500)	(503,155)
Total Non-Operating Revenues(Expenses)	<u>(64,048)</u>	<u>(363,500)</u>	<u>299,211</u>
CHANGES IN NET POSITION	512,410	2,927	509,242
NET POSITION, BEGINNING OF YEAR	(96,282)		(96,282)
NET POSITION, END OF YEAR	<u>\$ 416,128</u>	<u>\$ 2,927</u>	<u>\$ 412,960</u>

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 185,000	\$ 185,000	\$
City of East Palo Alto	185,000	185,000	
City of Menlo Park	185,000	185,000	
Santa Clara Valley Water District	185,000	185,000	
San Mateo County Flood Control District	185,000	185,000	
Total Operating Revenues	<u>925,000</u>	<u>925,000</u>	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	505,076	512,622	(7,546)
Benefits	254,852	260,000	(5,148)
Payroll Taxes	85,049	42,000	43,049
Personnel Services	9,545	9,000	545
Auto Allowances	4,167	5,000	
Legal	125,725	40,000	85,725
Financial/CPA	15,000	15,000	-
Grant Administrator	66,979		66,979
Office Expense	70,580	79,400	(8,820)
Consultant Services/Studies		45,000	(45,000)
Contingency	1,282	35,000	(33,718)
Total Operating Expenses	<u>1,138,255</u>	<u>1,043,022</u>	<u>96,066</u>
Operating Profit(Loss)	<u>(213,255)</u>	<u>(118,022)</u>	<u>(96,066)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	11,689	1,500	10,189
Grants	4,051,440	150,000	3,901,440
Consultant Services/Project	(3,958,251)		(3,958,251)
Total Non-Operating Revenues(Expenses)	<u>104,878</u>	<u>151,500</u>	<u>(46,622)</u>
CHANGES IN NET POSITION	(108,377)	33,478	(142,688)
NET POSITION, BEGINNING OF YEAR	12,095		12,095
NET POSITION, END OF YEAR	<u>\$ (96,282)</u>	<u>\$ 33,478</u>	<u>\$ (130,593)</u>

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
AS OF JUNE 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Member Entities	\$ 1,686,200	\$ 1,540,000	\$ 925,000
Cash Paid to Employees for Services	(772,160)	(698,182)	(769,325)
Cash Paid for all Expenses Other Than Employees	(494,339)	(335,066)	(199,254)
Cash Provided by Operating Activities	<u>419,701</u>	<u>506,752</u>	<u>(43,579)</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Interest Received	2,711	1,779	11,689
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY			
Cash Earned from Unearned Grant Income	<u>(195,876)</u>	<u>(795,105)</u>	<u>684,026</u>
Increase in Cash	226,536	(286,574)	652,136
CASH & INVESTMENTS, BEGINNING OF YEAR	<u>1,220,735</u>	<u>1,507,309</u>	<u>855,173</u>
CASH & INVESTMENTS, END OF YEAR	<u>\$ 1,447,271</u>	<u>\$ 1,220,735</u>	<u>\$ 1,507,309</u>
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES			
TO OPERATING LOSS:			
Cash Provided(Used) by Operating Activities	\$ 419,701	\$ 506,752	\$ (43,579)
Decrease in Prepaid Expenses	360	1,015	784
Decrease in Deferred Outflow	(17,823)		
Increase in Accounts Payable	287,241	60,981	(94,808)
Increase in Credit Card	732	(1,032)	
Increase in Deferred Inflow	(126,319)		
Increase in Accrued Salaries and Benefits	122,629	8,742	(75,652)
Operating Profit(Loss)	<u>\$ 686,521</u>	<u>\$ 576,458</u>	<u>\$ (213,255)</u>

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the “Authority”) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the “Member Entities”). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project (see Note 5) are classified as non-operating revenues and expenses.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed \$337,240 for FYE 2022 \$308,000 for FYE 2021 and \$185,000 during FYE 2020, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued \$78,736 FYE 2022, \$76,923 FYE 2021 and \$54,255 FYE 2020 for this liability. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has \$17,780 FYE 2022, \$35,603 FYE 2021, and FYE 2020 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has \$138,406 FYE 2022, \$12,087 FYE 2021 and FYE 2020 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Implemented Pronouncements Adopted

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Authority's fiscal year ending June 30, 2022.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, consisted of:

	2022	2021	2020
LAIF	\$ 445,719	\$ 186,147	\$ 184,583
Bank	1,001,552	1,034,588	1,322,726
Total	<u>\$ 1,447,271</u>	<u>\$ 1,220,735</u>	<u>\$ 1,507,309</u>

The Authority's cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority's name and places the Authority ahead of general creditors of the institution.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 3 – CASH AND INVESTMENTS

Investments authorized by the California Government Code for Authority purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

\$445,719 FYE 2022, \$186,147 FYE 2021, and \$184,583 FYE 2020 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.34%	7.59%

Contribution Description

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, 2021, and 2020 the contributions recognized as pension expense was as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contributions – Employer	\$ 43,385	\$40,517	\$39,539

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Miscellaneous	\$ 170,514	\$ 294,956	\$326,366

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 8,532	\$ (5,717)
Changes of Assumptions	43,357	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	77,826	
Total	<u>\$ 129,895</u>	<u>\$ (5,715)</u>

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2.75%
Investment Rate of Return	7.15% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(a) Net of pension plan investment expenses, including inflation.

(b) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of projected mortality improvements using Society of Actuaries Scale 90% of the scale MP 2016. For more details on this table, please refer to the 2021 experience study report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class(a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.0%	4.54%	5.98%
Fixed Income	28.0%	3.84%	2.62%
Inflation Assets	0.0%	7.28%	1.81%
Private Equity	8.0%	0.27%	7.23%
Real Estate	13.0%	0.50%	4.93%
Liquidity	1.0%	1.56%	-0.92%
Total	<u>100.00%</u>		

(a) In the CalPERS Annual comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

Sensitivity of the Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the Authority’s proportionate share of the net pension liability of the Plan, calculated using the discount rate for the CalPERS Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (5.15%)	Current Discount Rate (6.15%)	Discount Rate +1% (7.15%)
Plan’s Net Pension Liability	\$ 407,220	\$ 170,512	\$ (25,170)

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

	2022	2021	2020
Active	4	4	4
Transferred			
Separated			1
Retired			
Total	4	4	5

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2022	\$ (24,946)
2023	(26,873)
2024	(30,559)
2025	(38,248)
2026	0
Thereafter	0

NOTE 5 – PROJECTS

. The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:*
This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for \$8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84 Integrated Regional Water Management (IRWM) DWR grant #4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA’s Grant #4600009670 was audited by the California Department of Finance in 2018.

This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 5 – PROJECTS (CONTINUED)

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project's mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December 2018, with this audit covering Year 3 (2020) through Year 5 (2022) of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services/project expenses by the SFCJPA.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an Environmental Impact Report, with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a less impactful but less protective project was planned to move forward. In September 2019, the SFCJPA Board certified the Environmental Impact Report for a Reach 2 project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event. The SFCJPA continued with design and permitting throughout this audit period, with cost share agreement with Valley Water (Agreement A3617S, as amended for \$1,400,000).

The SFCJPA has a long-standing involvement with the Army Corps of Engineers for creek related flood risk reduction. In 2005, a General Investigation was initiated for the entire watershed but was refocused in 2009 to exclude the Reach 1 Project area. The San Francisco District of the Corps requested a waiver to headquarters in 2013 for increased costs and a schedule extension through 2020. In 2019, the SFCJPA requested that the General Investigation be terminated, and it was formally closed on January 10, 2020. In 2021, the SFCJPA entered into a new agreement with the Army Corps of Engineers under their Continuing Authorities Program (CAP205) that focused on the Urban Reach 2 Area, which continued through this audit period.

The agreements with the Army Corps of Engineers from 2005 through this audit period require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services/project expenses and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022, 2021 and 2020**

NOTE 5 – PROJECTS (CONTINUED)

2013, with work beginning in 2017 and continuing throughout this grant period. The grant schedule was extended via Amendment #1 that was executed February 2018.

The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline that was completed 2019 under a 2014 agreement between the SFCJPA and the City of Palo Alto for \$500,000.

The SFCJPA, with the City of East Palo Alto, applied for additional grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program (CalEOS HMGP) in 2019, with execution of a grant agreement pending throughout this audit period.

The SFCJPA applied for a grant with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in February 2022, with execution of a grant agreement pending throughout this audit period.

Project work for the SAFER Bay Project through 2022 was limited to work under the active DWR grant #4600009954.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent.

The amount of unearned grant income for years ending June 30, 2022 \$255,654 , 2021 \$451,530, & 2020 \$1,246,635: - funders included:

The California Department of Water Resource advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through October, XX 2025, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
 SCHEDULE OF AUTHORITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30,
 LAST 10 YEARS***

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00898%	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	\$ 170,512	\$ 326,367	\$ 326,367	\$ 326,367	\$ 299,990	\$ 244,013	\$ 159,686	\$ 164,311
Covered- employee payroll	\$ 481,434	\$ 495,259	\$ 505,076	\$ 505,195	\$ 487,624	\$ 451,433	\$ 285,466	\$ 260,616
Proportionate share of fiduciary net position	\$1,622,308	\$1,139,345	\$1,139,345	\$ 1,139,345	\$ 1,044,546	\$ 747,412	\$ 655,409	\$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	35.42%	65.90%	64.62%	64.60%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:

Benefit changes: None

Changes in assumptions: None

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30,
LAST 10 YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 53,085	\$ 35,252	\$ 49,048	\$ 42,282	\$ 38,046	\$ 36,177	\$ 38,335	\$ 37,657
Contributions in relation to the actuarially determined contributions	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	481,434	495,259	505,076	505,195	\$487,624	\$451,433	\$285,466	\$260,616
Contributions as a percentage of covered-employee payroll	11.03%	7.12%	9.71%	8.37%	7.80%	8.01%	13.43%	14.45%

Notes to Schedule

Valuation date:

6/30/2021	6/30/2019	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2013
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GASB 68 required schedule

**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**



**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY**

DRAFT

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinions

We have audited the accompanying financial statements of the net position of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the 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 Authority's, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 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,

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 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 that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Oakland, California
September XX, 2025

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SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2023

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2023. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2023.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2023, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by \$674,415 from the prior year. The composition of net position as of June 30, 2022 and 2023 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2023

	<i>FY 22-23</i>	<i>FY 21-22</i>	<i>Change</i>
Cash	\$1,978,562	\$1,447,271	531,291
Prepaid Expenses	9,742	9,607	135
Total assets	<u>1,988,304</u>	<u>2,802,223</u>	<u>531,426</u>
Deferred Outflows of Resources	129,895	17,780	112,115
Accounts Payable	13,135	269	(12,866)
Accrued Salaries and Benefits	85,799	78,736	(7,063)
Credit Card Payable	898	300	(598)
Unearned Grant Income	48,428	255,654	207,226
Net Pension Liability	459,031	170,514	(288,517)
Total liabilities	<u>607,291</u>	<u>638,395</u>	<u>(101,818)</u>
Deferred Inflows of Resources	5,741	138,406	132,655
Net Position	<u>\$1,505,194</u>	<u>\$830,779</u>	<u>\$674,415</u>

Unearned Grant Income decreased by \$207,226. Net pension Liability increased by \$288,517 due to pension investments.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2023, the Authority's net position increased by \$674,415 from the prior year. This change in net position is shown in the following table:

	<i>FY 22-23</i>	<i>FY 21-22</i>	<i>Change</i>
Total operating revenues	\$1,759,670	\$1,686,200	\$73,470
Total operating expenses	1,111,628	999,679	(111,949)
Operating profit (loss)	648,042	686,521	(38,479)
Net non-operating revenues(expenses)	26,373	(271,870)	298,243
Change in net position	674,415	414,651	259,764
Net position, beginning of year	830,779	416,128	414,651
Net position, end of year	<u>\$ 1,505,194</u>	<u>\$ 830,779</u>	<u>\$674,415</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2023,

Operating revenues are comprised of Member Entity contributions. Each member contributed \$351,934 in fiscal year 2022-2023 and \$337,240 in fiscal year 2021-2022

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2023, decreased by \$38,479.

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

ASSETS

CURRENT ASSETS

Cash and Investments	\$	1,978,562
Prepaid Expenses		9,742
Total Assets		1,988,304

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	\$	129,895
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	13,135
Accrued Salaries and Benefits		85,799
Credit Card Payable		898
Unearned Grant Income		48,428
Total Current Liabilities		148,260

NONCURRENT LIABILITY

Net Pension Liability		459,031
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension		5,714
Total Deferred Inflows of Resources		5,714

NET POSITION-UNRESTRICTED

	\$	1,505,194
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See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 351,934	\$ 351,934	\$
City of East Palo Alto	351,934	351,934	
City of Menlo Park	351,934	351,934	
Santa Clara Valley Water District	351,934	351,934	
San Mateo County Flood Control District	351,934	351,934	
Total Operating Revenues	<u>1,759,670</u>	<u>1,759,670</u>	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	587,903	566,170	21,733
Benefits	173,453	260,000	(86,547)
Payroll Taxes	100,884	65,000	35,884
Personnel Services	15,605	18,000	(2,395)
Auto Allowances	5,000	5,000	
Legal	77,731	130,000	(52,269)
Financial/CPA		20,000	(20,000)
Grant Administrator	28,323		28,323
Office Expense	121,049	116,456	4,593
Consultant Services/Studies			-
Contingency	1,680	35,000	(33,320)
Total Operating Expenses	<u>1,111,628</u>	<u>1,215,626</u>	<u>(103,998)</u>
Operating Profit(Loss)	<u>648,042</u>	<u>544,044</u>	<u>103,998</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	23,310	3,500	19,810
Miscellaneous Income	353		
Member Reserve Contribution	219,960	219,960	
Grants	207,226		207,226
Consultant Services/Project	(424,476)	(588,000)	163,524
Total Non-Operating Revenues(Expenses)	<u>26,373</u>	<u>(364,540)</u>	<u>390,560</u>
CHANGES IN NET POSITION	674,415	179,504	494,558
NET POSITION, BEGINNING OF YEAR	830,779		830,779
NET POSITION, END OF YEAR	<u>\$ 1,505,194</u>	<u>\$ 179,504</u>	<u>\$ 1,325,337</u>

See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Member Entities	\$ 1,759,670
Cash Paid to Employees for Services	(615,888)
Cash Paid for all Expenses Other Than Employees	(453,309)
Cash Received from Miscellaneous Income	353
Cash Provided by Operating Activities	690,826

CASH FLOWS FROM INVESTING ACTIVITY

Interest Received	23,310
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITY

Cash Earned from Unearned Grant Income	(207,226)
Cash Received from Member Entities for Reserves	219,960
Cash Provided by Capital Financing	12,734

Increase in Cash	726,870
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CASH & INVESTMENTS, BEGINNING OF YEAR	1,447,271
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CASH & INVESTMENTS, END OF YEAR	\$ 2,174,141
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RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

TO OPERATING LOSS:

Cash Provided(Used) by Operating Activities	\$ 690,826
Cash Provided(Used) for Reserves	219,960
Decrease in Prepaid Expenses	135
Decrease in Deferred Outflow	124,567
Increase in Accounts Payable	(16,527)
Increase in Deferred Inflow	110,559
Increase in Accrued Salaries and Benefits	(481,478)
Operating Profit(Loss)	\$ 648,042

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the “Authority”) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the “Member Entities”). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project (see Note 5) are classified as non-operating revenues and expenses.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed \$185,000 during the year ended June 30, 2023, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued \$61,789 for this liability at June 30, 2023. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has \$129,895 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has \$5,714 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Implemented Pronouncements Adopted

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Authority's fiscal year ending June 30, 2022.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2023 consisted of:

LAIF	\$ 1,747,234
FRB	231,328
Total	<u>\$ 1,978,562</u>

During the year ended June 30, 2023, \$231,328 of the Authority's cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority's name and places the Authority ahead of general creditors of the institution.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 3 – CASH AND INVESTMENTS

Investments authorized by the California Government Code for Authority purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

\$1,747,234 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Plans’ provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	9.71%	9.71%

Contribution Description

Section 20814 (c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023 the contributions recognized as pension expense was as follows:

Contributions – Employer	\$ 85,058
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Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2023 the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 459,031

The Authority’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2023, the Authority recognized pension expense of \$85,058. At June 30, 2023, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 8,532	\$ (5,717)
Changes of Assumptions	43,357	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	77,826	
Total	\$ 129,895	\$ (5,715)

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	6.9%
Inflation	2.3%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2.8%
Investment Rate of Return	6.90% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(a) Net of pension plan investment expenses, including inflation.

(b) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return(a)(b)</u>
Global Equity Cap-Weighted	30.0%	4.54%
Global Equity NonCap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

(a) An expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021 Asset Liability Study.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

Sensitivity of the Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the Authority’s proportionate share of the net pension liability of the Plan, calculated using the discount rate for the CalPERS Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.9%)
Plan’s Net Pension Liability	\$ 745,877	\$ 429,602	\$ 223,030

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

Active	4
Transferred	
Separated	
Retired	
Total	4

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2024	\$ 32,387
2025	28,378
2026	15,814
2027	47,600
2028	0
Thereafter	0

NOTE 5 – PROJECTS

The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:* This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for \$8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84 Integrated Regional Water Management (IRWM) DWR grant #4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA’s Grant #4600009670 was audited by the California Department of Finance in 2018.

This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project’s mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 5 – PROJECTS (CONTINUED)

2018, with this audit covering Year 6 of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services by the SFCJPA.

As the permit holder for the Reach 1 Project, the SFCJPA initiated the first Five Year Operation and Maintenance Report during this audit period, obtaining approval of the draft report outline from the San Francisco Bay Regional Water Quality Control Board.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an environmental Impact Report, also with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a smaller project was planned. In 2016, the hydraulic model was updated by Santa Clara Valley Water District (Valley Water) and went through the Army Corps of Engineers certification process.

In September 2019, the SFCJPA Board approved and adopted the Environmental Impact Report for a project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event.

The SFCJPA continued with design and permitting throughout this audit period, with cost share agreements with Valley Water (Agreement A3617S, as amended for \$1,400,000). Project designs were advanced to 60%, and Pope Chaucer bridge design to 90%. Draft permit applications were submitted to the regulatory agencies in July 2022. Applications to Cities were submitted in August 2022.

On December 31, 2022, a flooding event occurred, with the second highest measured creek flow. Overtopping occurred at locations that were not predicted by the HEC-RAS model that was used as the basis for the 60% to 90% designs. Valley Water evaluated the model and presented findings at the June 8, 2023 SFCJPA Board Meeting, with the key finding that the model underestimated flows by as much as two feet. This revealed a new understanding that the creek channel has about 25% less capacity than previously thought.

The SFCJPA commissioned an independent review of the model, and all work on the Reach 2 project was paused during this audit period.

The SFCJPA's involvement with the Army Corps of Engineers for creek related flood risk reduction under their Continuing Authorities Program was also paused until the model was updated, so that work could begin on recertifying model hydrology and hydraulics.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 5 – PROJECTS (CONTINUED)

As noted in previous audits, agreements with the Army Corps of Engineers require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services, and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in 2013, with work beginning in 2017 and continuing throughout this grant period. The grant schedule was extended via Amendment #1 that was executed February 2018.

The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline in 2019.

The SFCJPA, with the City of East Palo Alto applied for additional grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program (CalOES HMGP) in 2019, with execution of the grant agreement September 1, 2022.

The SFCJPA applied for a grant with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in early 2022, with execution of the grant agreement (SFB0041-RA035) on September 15, 2022. On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to \$3,980,000 in grant funding to the SFCJPA for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park. This work was authorized by the SFCJPA Board on May 25, 2023. This funding was used to develop the technical evaluations needed to advance designs and develop the Draft Environmental Report.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent.

The amount of unearned grant income for year ended June 30, 2023 is \$321,997 - funders included:

The California Department of Water Resource advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through October, XX 2025, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

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SAN FRANCISCO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023
LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00981%	0.00898%	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	\$ 459,032	\$ 170,512	\$ 326,367	\$ 326,367	\$ 326,367	\$ 299,990	\$ 244,013	\$ 159,686	\$ 164,311
Covered- employee payroll	\$ 592,903	\$ 481,434	\$ 495,259	\$ 505,076	\$ 505,195	\$ 487,624	\$ 451,433	\$ 285,466	\$ 260,616
Proportionate share of fiduciary net position	\$1,645,203	\$1,622,308	\$1,139,345	\$1,139,345	\$1,139,345	\$ 1,044,546	\$ 747,412	\$ 655,409	\$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	77.42%	35.42%	65.90%	64.62%	64.60%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:

Benefit changes: None

Changes in assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2023
 LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 46,213	\$ 53,085	\$ 35,252	\$ 49,048	\$ 42,282	\$ 38,046	\$ 36,177	\$ 38,335	\$ 37,657
Contributions in relation to the actuarially determined contributions	(46,213)	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	592,903	481,434	495,259	505,076	505,195	\$487,624	\$451,433	\$285,466	\$260,616
Contributions as a percentage of covered-employee payroll	7.79%	11.03%	7.12%	9.71%	8.37%	7.80%	8.01%	13.43%	14.45%

Notes to Schedule

Valuation date:

GASB 68 required schedule

6/30/2022 6/30/2021 6/30/2019 6/30/2019 6/30/2018 6/30/2017 6/30/2016 6/30/2015



**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**



**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY**

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**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinions

We have audited the accompanying financial statements of the net position of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2024, 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 Authority's, as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 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,

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 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 that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Oakland, California
September XX, 2025

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SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2024. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2024.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2024, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by \$434,942 from the prior year. The composition of net position as of June 30, 2023 and 2024 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

	<i>FY 22-23</i>	<i>FY 23-24</i>	<i>Change</i>
Cash	\$1,978,562	\$2,791,338	812,776
Prepaid Expenses	9,742	10,232	490
Inventory		653	653
Total assets	<u>1,988,304</u>	<u>2,802,223</u>	<u>813,969</u>
Deferred Outflows of Resources	129,895	135,056	5,161
Accounts Payable	13,135	53,828	(40,693)
Accrued Salaries and Benefits	85,799	84,528	1,271
Credit Card Payable	898	1,831	(933)
Unearned Grant Income	48,428	321,997	(273,569)
Net Pension Liability	459,031	531,044	(72,013)
Total liabilities	<u>607,291</u>	<u>638,395</u>	<u>(385,937)</u>
Deferred Inflows of Resources	5,741	3,915	30,396
Net Position	<u>\$1,505,194</u>	<u>\$1,940,136</u>	<u>\$434,942</u>

Unearned Grant Income increased by \$273,569. Net pension Liability increased by \$72,013 due to pension investments not earning what was expected.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2024, the Authority's net position increased by \$434,942 from the prior year. This change in net position is shown in the following table:

	<i>FY 22-23</i>	<i>FY 23-24</i>	<i>Change</i>
Total operating revenues	\$1,759,670	\$1,878,990	\$119,320
Total operating expenses	1,111,628	1,318,234	(206,606)
Operating profit (loss)	648,042	560,756	(87,286)
Net non-operating revenues(expenses)	26,373	(125,814)	(152,187)
Change in net position	<u>674,415</u>	<u>434,942</u>	<u>(239,473)</u>
Net position, beginning of year	830,779	1,505,194	674,415
Net position, end of year	<u>\$ 1,505,194</u>	<u>\$ 1,940,136</u>	<u>\$434,942</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2024,

Operating revenues are comprised of Member Entity contributions. Each member contributed \$375,798 in fiscal year 2023-2024 and \$337,240 in 2022-2023.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2024, decreased by \$166,855 which is primarily due to the following:

- Approximate \$200,000 increase in Personnel Costs (mostly retirement benefits)

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects or agreements with Army Corp of Engineers

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

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SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

ASSETS

CURRENT ASSETS

Cash and Investments	\$	2,791,338
Inventory		653
Prepaid Expenses		10,232
Total Assets		2,802,223

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	\$	135,056
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	53,828
Accrued Salaries and Benefits		84,528
Credit Card Payable		1,831
Unearned Grant Income		321,997
Total Current Liabilities		462,184

NONCURRENT LIABILITY

Net Pension Liability		531,044
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension		3,915
Total Deferred Inflows of Resources		3,915

NET POSITION-UNRESTRICTED

	\$	1,940,136
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See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024**

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 375,798	\$ 375,798	\$
City of East Palo Alto	375,798	375,798	
City of Menlo Park	375,798	375,798	
Santa Clara Valley Water District	375,798	375,798	
San Mateo County Flood Control District	375,798	375,798	
Total Operating Revenues	<u>1,878,990</u>	<u>1,878,990</u>	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	603,468	620,490	(17,022)
Benefits	222,281	260,000	(37,719)
Payroll Taxes	118,107	85,000	33,107
Internship Program	11,330	17,000	
Personnel Services	19,042	16,500	2,542
Legal	144,455	150,000	(5,545)
Financial/CPA		20,000	(20,000)
Grant Administrator	63,540		63,540
Office Expense	120,765	120,000	765
Consultant Services/Studies			-
Contingency	15,246	35,000	(19,754)
Total Operating Expenses	<u>1,318,234</u>	<u>1,323,990</u>	<u>(86)</u>
Operating Profit(Loss)	<u>560,756</u>	<u>555,000</u>	<u>86</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	85,231	10,000	75,231
Miscellaneous Income	6,773		
Member Reserve Contribution	234,874	234,874	
Grants	0		0
Consultant Services/Project	(452,692)	(555,000)	102,308
Total Non-Operating Revenues(Expenses)	<u>(125,814)</u>	<u>(310,126)</u>	<u>177,539</u>
CHANGES IN NET POSITION	434,942	244,874	177,625
NET POSITION, BEGINNING OF YEAR	1,505,194		1,505,194
NET POSITION, END OF YEAR	<u>\$ 1,940,136</u>	<u>\$ 244,874</u>	<u>\$ 1,682,819</u>

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Member Entities	\$	1,878,990
Cash Paid to Employees for Services		(880,074)
Cash Paid for all Expenses Other Than Employees		(786,587)
Cash Received from Miscellaneous Sources		6,773
Cash Provided by Operating Activities		219,102

CASH FLOWS FROM INVESTING ACTIVITY

Interest Received		85,231
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITY

Cash Earned from Unearned Grant Income		273,569
Cash Received from Member Entities for Reserves		234,874
		508,443

Increase in Cash		812,776
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CASH & INVESTMENTS, BEGINNING OF YEAR		1,978,562
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CASH & INVESTMENTS, END OF YEAR	\$	2,791,338
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RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

TO OPERATING LOSS:

Cash Provided(Used) by Operating Activities	\$	219,102
Cash Received for Reserves		234,874
Decrease in Prepaid Expenses		490
Increase in Inventory		653
Decrease in Deferred Outflow		5,161
Increase in Accounts Payable		169,422
Increase in Deferred Inflow		1,796
Increase in Accrued Salaries and Benefits		(70,742)
Operating Profit(Loss)	\$	560,756

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the “Authority”) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the “Member Entities”). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project (see Note 5) are classified as non-operating revenues and expenses.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed \$185,000 during the year ended June 30, 2024, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued \$61,789 for this liability at June 30, 2024. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has \$15,000 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has \$227,902 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Implemented Pronouncements Adopted

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This Statement is effective for the Authority’s fiscal year ending June 30, 2022.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2024 consisted of:

LAIF		\$ 2,187,264
U.S Bank		603,996
Chase		78
Total		\$ 2,791,338

During the year ended June 30, 2024, \$604,074 of the Authority’s cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority’s name and places the Authority ahead of general creditors of the institution.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 3 – CASH AND INVESTMENTS

Investments authorized by the California Government Code for Authority purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

\$2,187,264 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The Plans’ provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	13.751%	6.55%

Contribution Description

Section 20814 (c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2024 the contributions recognized as pension expense was as follows:

Contributions – Employer	\$ 94,085
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Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2024 the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 176,211

The Authority’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension (Continued)

procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2024, the Authority recognized pension expense of \$94,085. At June 30, 2024, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 25,238	\$ (3,915)
Changes of Assumptions	29,827	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,990	
Total	\$ 135,055	\$ (3,915)

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	6.9%
Inflation	2.3%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2.8%
Investment Rate of Return	6.9% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(a) Net of pension plan investment expenses, including inflation.

(b) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return(a)(b)</u>
Global Equity Cap-Weighted	30.0%	4.54%
Global Equity NonCap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

(a) An expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Study.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

Sensitivity of the Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the Authority’s proportionate share of the net pension liability of the Plan, calculated using the discount rate for the CalPERS Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.9%)
Plan’s Net Pension Liability	\$ 856,991	\$ 531,044	\$ 262,763

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

Active	4
Transferred	
Separated	
Retired	
Total	4

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2024	\$ 41,059
2025	27,388
2026	60,398
2027	2,295
2028	0
Thereafter	0

NOTE 5 – PROJECTS

The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:* This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for \$8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84 Integrated Regional Water Management (IRWM) DWR grant #4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA’s Grant #4600009670 was audited by the California Department of Finance in 2018.

This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 5 – PROJECTS (CONTINUED)

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project's mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December 2018, with this audit covering Year 7 of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services by the SFCJPA.

As the permit holder for the Reach 1 Project, the SFCJPA continued work on drafting the first Five Year Operation and Maintenance Report during this audit period and commissioned needed evaluations to complete the report.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an environmental Impact Report, also with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a less impactful but less protective project was planned. In September 2019, the SFCJPA Board certified the Environmental Impact Report for a project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event. Project designs were advanced to 60%, and bridge design to 90%. Draft permit applications were submitted to the regulatory agencies in July 2022. Applications to Cities were submitted in August 2022.

The flooding event of December 31, 2022, was the second highest measured creek flow. The overtopping occurred at locations that were not predicted by the HEC-RAS model that was the basis of the 60% to 90% designs. Valley Water evaluated the model and presented findings at the June 8, 2023 SFCJPA Board Meeting, with the key finding that the model underestimated flows by as much as two feet such that the creek has about 25% less capacity than previously thought and concluded that the previous designs were inadequate.

The SFCJPA commissioned an independent review of the hydraulic model that was completed February 2024. This review confirmed Valley Water's assessment of reduced creek capacity, necessitating revised designs.

The SFCJPA initiated monthly meetings with members, to discuss "Plan B," and in the January 2024 meeting, it was decided to develop a Request for Proposal (RFP) for the updated Reach 2 design work, which the SFCJPA drafted with member review and input. The RFP was issued February 29, 2004. Five bids were received, with the highest ranked

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 5 – PROJECTS (CONTINUED)

proposal was selected for award based on a review panel of SFCJPA members. A contract was executed with WRA Environmental Consultants on April 26, 2024.

The Army Corps of Engineers work was restarted during this audit period, but all work was focused on recertification of the updated hydrology and existing conditions HEC-RAS model that continued through this audit period (The updated hydrology was certified in August 2024).

As noted in previous audits, agreements with the Army Corps of Engineers require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services, and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in 2013, with work beginning in 2017 and grant reporting continuing throughout this grant period, but no invoicing. The grant schedule was extended via Amendment #1 that was executed February 2018. Amendment #2 was a no-cost amendment to update scope and schedule, and this amendment was executed March 9, 2021. The SFCJPA used this grant to issue a Notice of Preparation for an Environmental Impact Report in April 2022.

The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline in 2019 and in 2020 the City moved forward with Valley Water's South Bay Shoreline Project.

The City of East Palo Alto, with support from SFCJPA, applied for grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program in 2019, with execution of the grant agreement September 1, 2022.

The SFCJPA applied for a grant for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in early 2022, with execution of the grant agreement on September 15, 2022 (SFB0041-RA035). On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to \$3,980,000, and the grant agreement was amended on August 31, 2023, for a total of \$4,980,000. Work under this agreement includes the technical studies needed for CEQA with a programmatic and project level Environmental Impact Report for all reaches of the SAFER Bay Project in East Palo Alto and Menlo Park, San Mateo County.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent.

The amount of unearned grant income for year ended June 30, 2024 is \$321,997 - funders included:

The California Department of Water Resource advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through October, XX 2025, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST 10 YEARS*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00106020%	0.00981%	0.00898%	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	\$ 531,044	\$ 459,032	\$ 170,512	\$ 326,367	\$ 326,367	\$ 326,367	\$ 299,990	\$ 244,013	\$ 159,686	\$ 164,311
Covered- employee payroll	603,468	\$ 481,434	\$ 495,259	\$ 505,076	\$ 505,195	\$ 603,468	\$ 487,624	\$ 451,433	\$ 285,466	\$ 260,616
Proportionate share of fiduciary net position	\$ 1,898,785	\$ 1,645,203	\$ 1,622,308	\$ 1,139,345	\$ 1,139,345	\$ 1,139,345	\$ 1,044,546	\$ 747,412	\$ 655,409	\$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	88.00%	95.35%	34.43%	64.62%	64.60%	54.08%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	77.97%	78.19%	90.49%	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:

Benefit changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs

Changes in assumptions:

There were no assumption changes. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement dates June 30, 2015 through June 30, 2014

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2024
 LAST 10 YEARS*

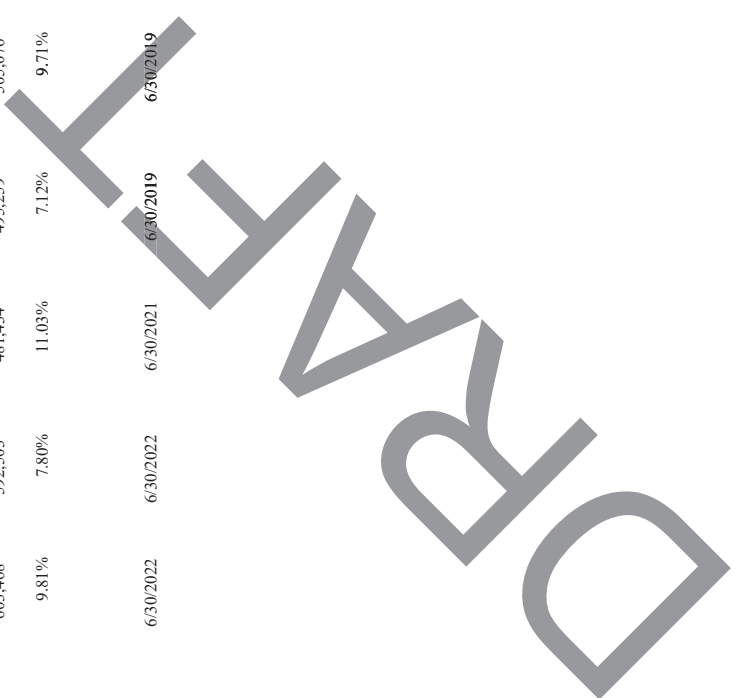
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 59,225	\$ 46,213	\$ 53,085	\$ 35,252	\$ 49,048	\$ 42,282	\$ 38,046	\$ 36,177	\$ 38,335	\$ 37,657
Contributions in relation to the actuarially determined contributions	(59,225)	(46,213)	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	603,468	592,503	481,434	495,259	505,076	603,468	\$487,624	\$451,433	\$285,466	\$260,616
Contributions as a percentage of covered-employee payroll	9.81%	7.80%	11.03%	7.12%	9.71%	7.01%	7.80%	8.01%	13.43%	14.45%

Notes to Schedule

Valuation date:

6/30/2022	6/30/2022	6/30/2021	6/30/2019	6/30/2019	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2013
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GASB 68 required schedule



January XX, 2026

To the Board of Directors of
San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the San Francisquito Creek Joint Powers Authority as of June 30, for fiscal years 2024, 2023, 2022, 2021 & 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisquito Creek Joint Powers Authority are described in Note 1 to the financial statements. Updates were made to the SFCJPA accounting policies during fiscal years 2020-2024. We noted no transactions entered into by San Francisquito Creek Joint Powers Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January XX, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application

of an accounting principle to San Francisquito Creek Joint Powers Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Francisquito Creek Joint Powers Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

1. Absence of Annual Audit

Finding

According to San Francisquito Creek Joint Powers Authority's Member's Agreement an annual audit is to be performed and filed as a public record with each member agency. Currently the Authority is completing five annual audits at one time. The Authority's failure to complete annual audits increases the risk of undetected errors, misstatements, and potential non-compliance issues.

Response

We agree that a lack of annual audits increases the risk of undetected errors, misstatements, or other potential non-compliance issues and have and are continuing to put in place procedures to ensure the timely completion of the annual audits.

2. Accounting Department Staffing

Finding

During our audit, we noted Authority frequently prioritized other duties over accounting duties. Certain routine accounting tasks play a key role in proving the accuracy of accounting data. We believe that certain administrative duties have been assigned to the accounting department over the years and this increase in workload has had a negative impact on the efficiency of the department. Currently, accounting personnel are performing numerous administrative duties.

Recommendation

We recommend the Authority consider hiring an additional employee to alleviate some of the responsibilities in either the accounting department or the administrative department. This position, if properly conceived and designed, could greatly benefit the Authority.

Response

We agree with this finding and recommendation. Steps have been taking over the past five years to improve the efficiency and effectiveness of the SFCJPA's administrative processes and practices. These have included: moving to professional office space with adequate room for file storage, purchasing office equipment able to make electronic (scanned) documents of accounting records, and establishing IT protocols and support services to ensure document security.

3. Separate Classes Centers For Projects Suggested

Finding

Currently, a single general ledger cost center is used for numerous projects and tracked in an excel spreadsheet. This practice makes it difficult to pull financial statements by project in a timely manner.

Recommendation

In order to more clearly reflect activity on a project basis, we strongly suggest that the Authority maintain separate classes for each project. This practice will also facilitate the reporting requirements for grants and contracts as well.

Response

We agree with this finding. We had already begun the process of implementing separate classes in our updated version of Quickbooks.

4. IT Assistance

Finding

The Authority, switched from a desk top version of an accounting software to the online version. Unfortunately, the conversion from desktop and online did not include all transactions and required the accounting department to manually reconcile the two systems and enter missing transactions into the online version. When providing financials for the audit the Authority provided support from both versions. The integrity of the data provided could not be relied upon without substantial testing.

Also noted during the audit that the Authority's accountant's computer has crashed a few times causing the audit to be postponed and the information to be rekeyed in.

Recommendation

The Authority needs adequate IT services. This would assist with making sure all data is backed up on a regular basis. Any system crashes would be repaired in a timely manner and the data restored.

Response

We agree that the Authority needs adequate IT services. Since October of 2020, the Authority has invested in professional support to assist our operations and continues to regularly review our tools and our IT support to ensure they are meeting the needs of the Authority.

Data lost due to laptop hard drive crashes which occurred prior to the implementation of shared and backed-up file systems and prior to the retention of regular IT support.

In August of 2020, the newly hired executive director implemented a shared file and cloud-based document storage and back-up system (DropBox). Prior to this, most agency records were maintained on individual laptops. In September of 2020, the executive director relocated the agency offices to a location with space for staff to have pandemic-safe individual offices and space for more filing cabinets for document storage. In October of 2020 the agency contracted with an individual IT professional to provide ad hoc IT support to the SFCJPA, including recommendations for security, software, and routine hardware replacement. This ad hoc support was replaced by a contract with an established business for IT support (RelyOnIT) in April 2022. The RelyOnIT support included upgrading our digital file management system to a professionally managed, secure, synchronized, cloud-based system. In August 2022, the agency relocated to new offices and added additional office space for supplies and file storage. Services provided by RelyOnIT include routine updates to employee technology (laptops), access to full-service and full-warranty coverage for systems purchased through RelyOnIT's corporate purchasing channels,

and a regular review of software licenses, security needs, internet connectivity, and any other information and office technology matters as they arise.

Other Matters

We applied certain limited procedures to Schedule of Authority's Proportionate Share of Net Pension Liability and Schedule of Employer Contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of San Francisquito Creek Joint Powers Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Independent Accountants' Agreed-Upon Procedures Report

The Board of Directors of San Francisquito Creek Joint Powers Authority

We have performed the procedures enumerated below related to the accompanying Summary of SAFER Bay Project Funding and invoice tracking spreadsheet prepared by San Francisquito Creek Joint Powers Authority. The San Francisquito Creek Joint Powers Authority is responsible for the invoice tracking spreadsheet and summary of SAFER BAY Project Funding.

San Francisquito Creek Joint Powers Authority have agreed to and acknowledged that the procedures performed by Grant Smith, LLC are sufficient and appropriate to meet the intended purpose of assisting users in evaluating the reconciliation of revenue and expenditures in regard to the SAFER Bay project since inception. This report may not be suitable for any other purpose. Additionally, the San Francisquito Creek Joint Powers Authority has agreed to and acknowledged that the procedures performed are sufficient and appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are as follows:

1. Obtained supporting documentation for expenditures charged to the Safer Bay project and verified the service provided was in alignment with the scope of the project and charged to the correct project.

Finding: No exceptions were noted as a result of our procedure

2. Obtained each grant contract/agreement and assessed whether there is a grant matching requirement. For the contracts (grants) that have a matching requirement we determined the Authority has a tracking mechanism in place to track matching contributions to verify that the matching amount and matching source were in agreement with the contract.

Finding: No exceptions were noted as a result of our procedure

3. Obtained a sample of grant agreements to determine revenue sources were recorded correctly in accounting system. We verified the amounts reported on the invoice tracking spreadsheet to the accounting software QuickBooks.

Finding: No exceptions were noted as a result of our procedure

4. Obtained a sample of deposits. We verified that the deposits were deposited in a separate bank account, specific to the SAFER Bay project.

Finding: No exceptions were noted as a result of our procedure

We were engaged by San Francisquito Creek Joint Powers Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying SAFER Bay Project description and Table 1 (summary of SAFER Bay Project Funding). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of San Francisquito Creek Joint Powers Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Oakland, California
January XX, 2026

SAFER Bay Project – The Strategy to Advance Flood protection, Ecosystem restoration and Recreation along San Francisco Bay Project, or SAFER Bay Project, will provide tidal flood risk reduction and sea level rise resiliency to residents and critical infrastructure in East Palo Alto and Menlo Park.

A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This project and associated grant were completed and closed in January 2017.

The City of Palo Alto funded a feasibility study for the Palo Alto shoreline via an agreement in 2014 between the SFCJPA and the City of Palo Alto for \$500,000. The feasibility study for Palo Alto was completed in 2019. In 2020, the City of Palo Alto moved forward with shoreline protection as part of the South Bay Shoreline Project, with Santa Clara Valley Water District (Valley Water) and US Army Corps of Engineers (USACE).

The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for the design and permitting for certain project components in East Palo Alto and Menlo Park in 2013, with work initiating in 2017, and grant reporting continuing through. There have been three amendments to this grant:

1. Amendment #1 extended the schedule and was executed in February 2018
2. Amendment #2 was a no-cost amendment to update scope and schedule, and this amendment was executed on March 9, 2021. The SFCJPA used this grant to issue a Notice of Preparation for an Environmental Impact Report in April 2022.
3. Amendment #3 was a no-cost amendment to update scope and schedule and was executed in August 2024. This amendment realigned the scope to focus on permitting and extended the schedule to December 31, 2028. This amendment relies on deliverables from East Palo Alto to complete the work scope.

The City of East Palo Alto, with support from SFCJPA, applied for grant funding to advance the project in East Palo Alto through a California Office of Emergency Response Hazard Mitigation Grant Program (CalOES HMGP) in 2019. The grant was executed between the City and CalOES on September 1, 2022, for Phase 1 funding in the amount of \$3,486,930, with an additional grant of \$156,323 for management costs. The \$5.5M of required match was supplied by the City of East Palo Alto. In August 2025, the City of East Palo Alto executed a contract using Phase 1 HMGP funding to move engineering designs forward from the 30% deliverable to 60%, 90%, and 100% design.

The SFCJPA applied for a grant for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park with the San Francisco Bay Restoration Authority (SFBRA) in

2021. The project was selected for award in early 2022, with execution of the grant agreement on September 15, 2022 (SFB0041-RA035). On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to \$3,980,000, and the grant agreement was amended on August 31, 2023, for a total of \$4,980,000. Work under this agreement includes the technical studies needed for CEQA with a programmatic and project level Environmental Impact Report for all reaches of the SAFER Bay Project in East Palo Alto and Menlo Park, San Mateo County.

The SFBRA grant was used to move the conceptual designs in the 2016 public draft feasibility study forward for CEQA analysis. This included 30% design deliverables for the PG&E Ravenswood Substation in Menlo Park, and the South of Bay Road Reach in East Palo Alto. In addition, the restoration components required significant changes since originally envisioned, and the restoration components were also moved forward to a 30-35% design in the “Restoration Basis of Design” Document.

The City of Menlo Park, with assistance from the SFCJPA, applied for a FEMA Building Resilient Infrastructure and Communities (BRIC) grant in 2020, with \$17.8M in match funding from PG&E (\$10M) and Meta (\$7.8M). Phase 1 design funding of \$3,759,474.00 was awarded in May 2023. In April 2025, the BRIC program was canceled, meaning that the Phase 2 construction funding would not be available.

The SFCJPA applied for additional funding from the SFBRA Round 8 in October 2024 and was informed in February 2025 that \$3,850,000 was recommended by staff to fund the restoration design and the additional funding needed for permitting. This funding is pending until CEQA is completed and the SFBRA Board considers the staff recommendation for approval.

Table 1 summarizes grant funding for the project.

Table 1 Summary of SAFER Bay Project Funding as of December 2025

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
CA Department of Water Resources	San Francisquito Creek Joint Powers Authority	DWR Grant No. 4600009954	\$1,045,625	\$448,125	Cities of East Palo Alto and Menlo Park	South of Bay Road, Restoration of Ponds R1/R2	Contract from 2013. Planning and Design. Scope includes CEQA and permits, 60%, 90% and 100% Designs for South of Bay Road reach and Restoration of Ponds R1/R2. Mod 3 moved funding for restoration permitting. <i>Cities will provide deliverables for this grant for 60%, 90% and 100% designs.</i>
San Francisco Bay Restoration Authority (Measure AA Parcel Tax 9-County Bay Area) Active	San Francisquito Creek Joint Powers Authority	SFB0041-RA035	\$4,980,000	None	N/A	Planning grant for all reaches in Menlo Park and East Palo Alto	CEQA – Project level for South of Bay Road and Restoration of Ponds R1/R2. Programmatic level all other reaches. 30% Design South of Bay Road 30% Design Ponds R1/R2 10-30% North of

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
							Bay Road 10% for all other reaches
San Francisco Bay Restoration Authority (Measure AA Parcel Tax 9-County Bay Area) (Pending)	San Francisquito Creek Joint Powers Authority	PENDING – goes to SFBRA Board June 6, 2026	\$3,850,000	None	N/A	Planning grant for design of unfunded restoration components and Pond SF2 engineered levee	Advance 30% designs for restoration and Pond SF2 levee to 60%-90% design
California Office of Emergency Response Hazard Mitigation Program (CalOES HMGP) Phase 1 Funding (active)	City of East Palo Alto	DR-4344-541-93R	\$3,643,253	\$1,162,310	City of East Palo Alto	South of Bay Road, Restoration of Ponds R1/R2	100% Design, NEPA, and permitting South of Bay Road

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
CalOES HMGP East Palo Alto Phase 2 Funding (pending)	City of East Palo Alto	DR-4344-541-93R	\$18,454,137	\$4,337,690	City of East Palo Alto	South of Bay Road, North of Bay Road to Tara in grant application Restoration of Ponds R1/R2	Construction of South of Bay Road
FEMA BRIC Phase 1 awarded May 31, 2023 (active)	City of Menlo Park	CalOES #081-46870-00 FIPS #081-46870	\$ 3,759,474	\$1,330,526	PG&E (\$10M) and Meta (\$7.8M)	Bedwell Bayfront Park, Bayfront Expressway, Tech Campus, Substation, Engineered protection and 10:1 ecotone levee, enhancements for Western Snowy Plover in Pond R3	90% Design, NEPA, and permitting of Menlo Park reaches except Dumbarton and Marsh Road

Subtotals \$35,732,489 \$7,278,651

TOTAL \$43,011,140

Notes: Phase 2 Funding is pending based on successful completion of Phase 1 and re-evaluated Benefit Cost Ratio greater than 1.
 SFBRA Round 8 pending approval from SFBRA Governing Board June 2026.
 FEMA BRIC program was canceled April 2025, but Phase 1 funding remains since it was contracted.

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
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North of Bay Road, Dumbarton Approach, and Marsh Road reaches have limited funding – only for 10% design and not construction.

The SFCJPA has been working with the HDR Team, composed of HDR Engineering, ESA and H.T. Harvey for the SAFER Bay Project. A Request for Proposals was issued by the SFCJPA in 2013, and the responsive proposals were reviewed and scored, with the two top scoring proposal teams interviewed by the SFCJPA and member agencies. The HDR Team had the highest scoring proposal and was awarded the project. On October 24, 2013, the SFCJPA and HDR entered into a Master Services Agreement (MSA) for the SAFER Bay Project by which the Consultant agreed to perform services in accordance with Task Orders issued by the Authority. To date, four Task Orders have been issued under the MSA; Task Orders 1 and 2 were closed by 2019, and Task Order 3 was closed as of January 26, 2023. Task Order 1 was used to complete the 2016 public draft feasibility study for East Palo Alto and Menlo Park. Task Order 2 was used to complete the 2019 public draft feasibility study for Palo Alto. Task Order 3 was intended for the East Palo Alto HMGP and DWR grants, but the SFCJPA realized the scope was not a good match since the HMGP grant was not yet awarded, and requested a revised scope in May 2021. It was determined that it would be easier to close Task Order 3 and open a new Task Order that was aligned with grant scope. Task Order 4 executed on January 26, 2023, for work funded by SFBRA Grant SFB0041-RA035 and remaining funding in DWR Agreement No. 4600009954 for planning and design of SAFER Bay Project. The SFCJPA has issued two amendments to the task order for additional work under the grant.

Other subcontractors working for the SFCJPA on the SAFER Bay project are Climate Resilient Communities, Nuestra Casa, Grassroots Ecology for outreach and educational purposes, and the Association of Ramaytush Ohlone for tribal consulting.

San Francisco Bay Joint Venture (SFBJV) Project Adoption

The SFCJPA applied for the SAFER Bay Project to be adopted by the San Francisco Bay Joint Venture (SFBJV) in early 2020. This program is not a requirement but is recommended for the SFBRA grant program. Adopted projects have increased visibility and are eligible for benefits and services from the SFBJV, including letters of support, funding support, access to SFBJV programs and resources such as their Design Review program, SediMatch, Conservation Delivery Committee meetings, other networking opportunities, and project tours for decision-makers.

The 2020 application included the City of Palo Alto, as it was unclear at the time how the City of Palo Alto would move forward following the 2019 Feasibility Study that they funded through a contract with the SFCJPA.

The SFBJV Board conditionally approved SAFER Bay Project for adoption in May 2020, which is functionally equivalent to full project adoption, except that the project would need to return to the SFBJV Board for final project adoption when designs have advanced. The SFCJPA applied for full project adoption in July 2024. The SFCJPA asked the City of Palo Alto if they would like to continue to be part of the SAFER Bay SFBJV, and as there were no downsides to doing so, the

City of Palo Alto said yes to continue to be part of the SFBJV SAFER Bay Project Adoption. In October 2024, the SFBJV Board adopted the SAFER Bay Project as a full SFBJV project.