

**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  
March XX, 2025

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**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><b>FY 21-22</b></i> | <i><b>FY 20-21</b></i> | <i><b>FY19-20</b></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  | 103,154                | 86,937                 | 58,995                |
| 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>\$806,361</u>       | <u>\$406,114</u>       | <u>\$(101,022)</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 \$400,247 for FYE 2022, \$507,136 for FYE 2021 and (\$113,117) for FYE 2020 from the prior year. This change in net position is shown in the following table:

|                                      | <i><b>FY 21-22</b></i> | <i><b>FY 20-21</b></i> | <i><b>FY19-20</b></i> |
|--------------------------------------|------------------------|------------------------|-----------------------|
| Total operating revenues             | \$1,686,200            | \$1,540,000            | \$925,000             |
| Total operating expenses             | 1,014,083              | 968,816                | 1,142,995             |
| Operating profit (loss)              | 672,117                | 571,184                | (217,995)             |
| Net non-operating revenues(expenses) | (271,870)              | (64,048)               | 104,878               |
| Change in net position               | 414,651                | 512,410                | (108,377)             |
| Net position, beginning of year      | 406,114                | (101,022)              | 12,095                |
| Net position, end of year            | <u>\$ 806,361</u>      | <u>\$ 406,114</u>      | <u>\$(101,022)</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 \$45,267, decreased by \$174,179 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

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

**ASSETS**

| <b>CURRENT ASSETS</b> | <b>2022</b>      | <b>2021</b>         | <b>2020</b>      |
|-----------------------|------------------|---------------------|------------------|
| 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> |
|--------------------------------------|------------------|------------------|------------------|

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

|                               |                |                |                  |
|-------------------------------|----------------|----------------|------------------|
| Accounts Payable              | \$ 269         | \$ 12,929      | 8,083            |
| Accrued Salaries and Benefits | 103,154        | 86,937         | 58,995           |
| Credit Card Payable           | 300            | 1,032          |                  |
| Unearned Grant Income         | 255,654        | 451,530        | 1,246,635        |
| Total Current Liabilities     | <u>359,377</u> | <u>552,428</u> | <u>1,313,713</u> |

**NONCURRENT LIABILITY**

|                       |                |                |                |
|-----------------------|----------------|----------------|----------------|
| Net Pension Liability | <u>170,514</u> | <u>294,956</u> | <u>326,366</u> |
|-----------------------|----------------|----------------|----------------|

**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>\$ 806,361</u> | <u>\$ 406,114</u> | <u>\$ (101,022)</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,**

|   | <u>2022</u>       | <u>2021</u>       | <u>2020</u>         |
|---|-------------------|-------------------|---------------------|
| <b>OPERATING REVENUES-Member</b>          |                   |                   |                     |
| Entity Contributions:                     |                   |                   |                     |
| City of Palo Alto                         | \$ 337,240        | \$ 308,000        | \$ 185,000          |
| City of East Palo Alto                    | 337,240           | 308,000           | 185,000             |
| City of Menlo Park                        | 337,240           | 308,000           | 185,000             |
| Santa Clara Valley Water District         | 337,240           | 308,000           | 185,000             |
| San Mateo County Flood Control District   | 337,240           | 308,000           | 185,000             |
| Total Operating Revenues                  | <u>1,686,200</u>  | <u>1,540,000</u>  | <u>925,000</u>      |
| <b>OPERATING EXPENSES:</b>                |                   |                   |                     |
| Personnel:                                |                   |                   |                     |
| Salaries and Wages                        | 481,434           | 495,259           | 505,076             |
| Benefits                                  | 234,077           | 114,038           | 259,592             |
| Payroll Taxes                             | 92,566            | 85,417            | 85,049              |
| Personnel Services                        | 19,846            | 10,023            | 9,545               |
| Auto Allowances                           | 5,000             | 5,000             | 4,167               |
| Legal                                     | 54,142            | 122,064           | 125,725             |
| Financial/CPA                             |                   |                   | 15,000              |
| Grant Administrator                       | 25,900            | 33,895            | 66,979              |
| Office Expense                            | 100,387           | 101,669           | 70,580              |
| Consultant Services/Studies               |                   |                   |                     |
| Contingency                               | 731               | 1,451             | 1,282               |
| Total Operating Expenses                  | <u>1,014,083</u>  | <u>968,816</u>    | <u>1,142,995</u>    |
| Operating Profit(Loss)                    | <u>672,117</u>    | <u>571,184</u>    | <u>(217,995)</u>    |
| <b>NON-OPERATING REVENUES (EXPENSES):</b> |                   |                   |                     |
| Interest                                  | 2,711             | 1,779             | 11,689              |
| Miscellaneous Income                      | 503               | 241               |                     |
| Grants                                    | 350,952           | 868,587           | 4,051,440           |
| Consultant Services/Project               | (626,036)         | (934,655)         | (3,958,251)         |
| Total Non-Operating Revenues(Expenses)    | <u>(271,870)</u>  | <u>(64,048)</u>   | <u>104,878</u>      |
| <b>CHANGES IN NET POSITION</b>            | 400,247           | 507,136           | (113,117)           |
| <b>NET POSITION, BEGINNING OF YEAR</b>    | 406,114           | (101,022)         | 12,095              |
| <b>NET POSITION, END OF YEAR</b>          | <u>\$ 806,361</u> | <u>\$ 406,114</u> | <u>\$ (101,022)</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>         |
|--|---------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |                     |
| 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>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITY</b>  |                     |                     |                     |
| Interest Received  | 2,711               | 1,779               | 11,689              |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITY</b>                                    |                     |                     |                     |
| Cash Earned from Unearned Grant Income   | (195,876)           | (795,105)           | 684,026             |
| Increase in Cash   | 226,536             | (286,574)           | 652,136             |
| <b>CASH &amp; INVESTMENTS, BEGINNING OF YEAR</b>                                     | <u>1,220,735</u>    | <u>1,507,309</u>    | <u>855,173</u>      |
| <b>CASH &amp; INVESTMENTS, END OF YEAR</b>   | <u>\$ 1,447,271</u> | <u>\$ 1,220,735</u> | <u>\$ 1,507,309</u> |
| <b>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES<br/>TO OPERATING LOSS:</b> |                     |                     |                     |
| Cash Provided(Used) by Operating Activities  | \$ 429,715          | \$ 506,752          | \$ (43,579)         |
| Increase?(Decrease) in Prepaid Expenses  | 360                 | 1,015               | 784                 |
| Increase/(Decrease) in Deferred Outflow  | (17,823)            |                     |                     |
| Increase/(Decrease) in Accounts Payable  | 287,241             | 60,981              | (94,808)            |
| Increase/(Decrease) in Credit Card   | 732                 | (1,032)             |                     |
| Increase/(Decrease) in Deferred Inflow   | (126,319)           |                     |                     |
| Increase/(Decrease) in Accrued Salaries and Benefits                                 | 98,211              | 3,468               | (80,392)            |
| Operating Profit(Loss)   | <u>\$ 672,117</u>   | <u>\$ 571,184</u>   | <u>\$ (217,995)</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 (GASB) 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 \$103,153 FYE 2022, \$70,022 FYE 2021 and \$58,995 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 3 – CASH AND INVESTMENTS**

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

|       | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         |
|-------|---------------------|---------------------|---------------------|
| 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.

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

**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)**

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.

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

|   | Miscellaneous               |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>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.

**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)**

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

|                          | <b>2022</b> | <b>2021</b> | <b>2020</b> |
|--------------------------|-------------|-------------|-------------|
| 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 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 |             |             |
|---------------|--|-------------|-------------|
|               | <b>2022</b>                                  | <b>2021</b> | <b>2020</b> |
| 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:

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

**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<br>(b)  |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies<br>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<br/>Asset<br/>Allocation</u> | <u>Real Return<br/>Years 1-10(b)</u> | <u>Real Return<br/>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%<br>(5.15%) | Current Discount<br>Rate (6.15%) | Discount Rate +1%<br>(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<br>Outflow/(Inflow) of<br>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 in the respective fiscal years audit.

At June 30, 2022 the unearned revenue was \$255,654, 2021 \$451,530, & 2020 \$1,246,635: - funders included:

The California Department of Water Resources 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 March XX, 2026, 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, 2022  
LAST 10 YEARS\***

|  | <u>2019</u>  | <u>2018</u>  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|-------------|-------------|-------------|
| Proportion of the net pension liability  | 0.00815%     | 0.00739%     | 0.00619%    | 0.00600%    | 0.00264%    |
| Proportionate share of the net pension liability   | \$ 326,367   | \$ 299,990   | \$ 244,013  | \$ 159,686  | \$ 164,311  |
| Covered- employee payroll  | \$ 486,434   | \$ 487,624   | \$ 451,433  | \$ 285,466  | \$ 260,616  |
| Proportionate share of fiduciary net position  | \$ 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 | 67.09%       | 61.52%       | 54.05%      | 55.94%      | 63.05%      |
| Plan fiduciary net position as a percentage of the total pension liability                 | 77.73%       | 77.69%       | 75.39%      | 75.70%      | 71.17%      |

**Notes to Schedule:**

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2019.

Changes in assumptions: In 2018 , demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017 the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses to 7.65 percent (without a reduction for pension plan administrative expense.)

GASB 68 Required Schedule

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022  
LAST 10 YEARS\***

|   | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution (actuarially determined)          | \$ 42,282       | \$ 38,046       | \$ 36,177       | \$ 38,335       | \$ 37,657       |
| Contributions in relation to the actuarially determined contributions | <u>(42,282)</u> | <u>(38,046)</u> | <u>(36,177)</u> | <u>(38,335)</u> | <u>(37,657)</u> |
| Contribution Deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| Covered-employee payroll  | 486,434         | \$487,624       | \$451,433       | \$285,466       | \$260,616       |
| Contributions as a percentage of covered-employee payroll             | 8.69%           | 7.80%           | 8.01%           | 13.43%          | 14.45%          |

**Notes to Schedule**

Valuation date: 6/30/2018 6/30/2017 6/30/2016 6/30/2015 6/30/2013

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  
March XX, 2026

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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 \$666,942 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><b>FY 22-23</b></i> | <i><b>FY 21-22</b></i> | <i><b>Change</b></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  | 117,690                | 103,154                | (14,536)             |
| 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>639,182</u>         | <u>638,395</u>         | <u>(109,291)</u>     |
| Deferred Inflows of Resources  | 5,714                  | 138,406                | 132,692              |
| Net Position                   | <u>\$1,473,303</u>     | <u>\$806,361</u>       | <u>\$666,942</u>     |

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

**Statement of Revenues, Expenses and Changes in Net position**

During the year ended June 30, 2023, the Authority's net position increased by \$666,942 from the prior year. This change in net position is shown in the following table:

|                                      | <i><b>FY 22-23</b></i> | <i><b>FY 21-22</b></i> | <i><b>Change</b></i> |
|--------------------------------------|------------------------|------------------------|----------------------|
| Total operating revenues             | \$1,759,670            | \$1,686,200            | \$73,470             |
| Total operating expenses             | 1,119,101              | 1,014,083              | (105,018)            |
| Operating profit (loss)              | 640,569                | 672,117                | (31,548)             |
| Net non-operating revenues(expenses) | 26,373                 | (271,870)              | 298,243              |
| Change in net position               | 666,942                | 400,247                | 266,695              |
| Net position, beginning of year      | 806,361                | 406,114                | 400,247              |
| Net position, end of year            | <u>\$ 1,473,303</u>    | <u>\$ 806,361</u>      | <u>\$666,942</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, increased by \$105,018.

**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 |
|--------------------------------------|----|---------|

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

|                               |    |         |
|-------------------------------|----|---------|
| Accounts Payable              | \$ | 13,135  |
| Accrued Salaries and Benefits |    | 117,690 |
| Credit Card Payable           |    | 898     |
| Unearned Grant Income         |    | 48,428  |
| Total Current Liabilities     |    | 180,151 |

**NONCURRENT LIABILITY**

|                       |  |         |
|-----------------------|--|---------|
| Net Pension Liability |  | 459,031 |
|-----------------------|--|---------|

**DEFERRED INFLOWS OF RESOURCES**

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

**NET POSITION-UNRESTRICTED**

|  |    |           |
|--|----|-----------|
|  | \$ | 1,473,303 |
|--|----|-----------|

*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**

|   | <b>ACTUAL</b> |
|---|---------------|
| <b>OPERATING REVENUES-Member</b>              |               |
| Entity Contributions:                         |               |
| City of Palo Alto                             | \$ 351,934    |
| City of East Palo Alto                        | 351,934       |
| City of Menlo Park                            | 351,934       |
| Santa Clara Valley Water District             | 351,934       |
| San Mateo County Flood Control District       | 351,934       |
| Total Operating Revenues                      | 1,759,670     |
| <br><b>OPERATING EXPENSES:</b>                |               |
| Personnel:                                    |               |
| Salaries and Wages                            | 587,903       |
| Benefits                                      | 180,926       |
| Payroll Taxes                                 | 100,884       |
| Personnel Services                            | 15,605        |
| Auto Allowances                               | 5,000         |
| Legal   | 77,731        |
| Financial/CPA                                 |               |
| Grant Administrator                           | 28,323        |
| Office Expense                                | 121,049       |
| Consultant Services/Studies                   |               |
| Contingency                                   | 1,680         |
| Total Operating Expenses                      | 1,119,101     |
| <br>Operating Profit(Loss)                    | 640,569       |
| <br><b>NON-OPERATING REVENUES (EXPENSES):</b> |               |
| Interest                                      | 23,310        |
| Miscellaneous Income                          | 353           |
| Member Reserve Contribution                   | 219,960       |
| Grants  | 207,226       |
| Consultant Services/Project                   | (424,476)     |
| Total Non-Operating Revenues(Expenses)        | 26,373        |
| <br><b>CHANGES IN NET POSITION</b>            | 666,942       |
| <b>NET POSITION, BEGINNING OF YEAR</b>        | 806,361       |
| <b>NET POSITION, END OF YEAR</b>              | \$ 1,473,303  |

*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             | (811,467)    |
| Cash Paid for all Expenses Other Than Employees | (453,309)    |
| Cash Received from Miscellaneous Income         | 353          |
| Cash Provided by Operating Activities           | 495,247      |

**CASH FLOWS FROM INVESTING ACTIVITY**

|                   |        |
|-------------------|--------|
| Interest Received | 23,310 |
|-------------------|--------|

**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 | 531,291 |
|------------------|---------|

|  |                  |
|--|------------------|
| <b>CASH &amp; INVESTMENTS, BEGINNING OF YEAR</b> | <b>1,447,271</b> |
|--|------------------|

|  |                     |
|--|---------------------|
| <b>CASH &amp; INVESTMENTS, END OF YEAR</b> | <b>\$ 1,978,562</b> |
|--|---------------------|

**RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

**TO OPERATING LOSS:**

|   |            |
|---|------------|
| Cash Provided(Used) by Operating Activities | \$ 495,247 |
| Cash Provided(Used) for Reserves            | 219,960    |
| Decrease in Prepaid Expenses                | 135        |
| Decrease in Deferred Outflow                | 112,115    |
| Increase in Accounts Payable                | (16,527)   |
| Increase in Deferred Inflow                 | 132,692    |
| Increase in Accrued Salaries and Benefits   | (303,053)  |
| Operating Profit(Loss)                      | \$ 640,569 |

*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 Projects (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 (GASB) 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 \$351,934 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 \$117,690 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 3 – CASH AND INVESTMENTS**

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

|       |              |
|-------|--------------|
| LAIF  | \$ 1,747,234 |
| FRB   | 231,328      |
| Total | \$ 1,978,562 |

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.

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.

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

**NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**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.

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

|   | Miscellaneous               |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>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 |
|--------------------------|-----------|

**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 Liabilities, Pension Expense and Deferred Outflows/Inflows 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 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<br>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<br>Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences Between Expected and<br>Actual Experience                                  | \$ 8,532                          | \$ (5,717)                       |
| Changes of Assumptions   | 43,357                            |                                  |
| Net Difference Between Projected and<br>Actual Earnings on Pension Plan<br>Investments | 77,826                            |                                  |
| <br>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<br>(b)  |
| Post Retirement Benefit Increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies<br>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                         | 100.00%                         |                          |

(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%<br>(5.90%) | Current Discount<br>Rate (6.90%) | Discount Rate +1%<br>(7.9%) |
|---------------------------------|------------------------------|----------------------------------|-----------------------------|
| Plan’s Net Pension<br>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<br>Outflow/(Inflow) of<br>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 as of June 30, 2023.

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

The California Department of Water Resources 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 March XX, 2026, 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 FRANCISQUITO 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\***

|  | <u>2023</u>  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| 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\***

|   | <u>2023</u>     | <u>2022</u>     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 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 | <u>(46,213)</u> | <u>(53,085)</u> | <u>(35,252)</u> | <u>(49,048)</u> | <u>(42,282)</u> | <u>(38,046)</u> | <u>(36,177)</u> | <u>(38,335)</u> | <u>(37,657)</u> |
| Contribution Deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| 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%          |
| <b>Notes to Schedule</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Valuation date:   | 6/30/2022       | 6/30/2021       | 6/30/2019       | 6/30/2019       | 6/30/2018       | 6/30/2017       | 6/30/2016       | 6/30/2015       | 6/30/2013       |
| GASB 68 required schedule   |                 |                 |                 |                 |                 |                 |                 |                 |                 |

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**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

### **Opinion**

We have audited the accompanying financial statements 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 Opinion**

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 management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinion 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  
March XX, 2026

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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 \$444,233 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             | 40,960             | (27,825)         |
| Accrued Salaries and Benefits  | 117,690            | 119,996            | (2,306)          |
| 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>639,182</u>     | <u>1,028,696</u>   | <u>(376,646)</u> |
| Deferred Inflows of Resources  | 5,741              | 3,915              | 1,799            |
| Net Position                   | <u>\$1,473,303</u> | <u>\$1,904,668</u> | <u>\$444,233</u> |

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

**Statement of Revenues, Expenses and Changes in Net position**

During the year ended June 30, 2024, the Authority's net position increased by \$444,233 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             | <u>1,119,101</u>    | <u>1,308,943</u>    | <u>(189,842)</u> |
| Operating profit (loss)              | 640,569             | 570,047             | (70,522)         |
| Net non-operating revenues(expenses) | <u>26,373</u>       | <u>(125,814)</u>    | <u>(152,187)</u> |
| Change in net position               | 666,942             | 444,233             | (222,709)        |
| Net position, beginning of year      | 806,361             | 1,473,303           | 666,942          |
| Net position, end of year            | <u>\$ 1,473,303</u> | <u>\$ 1,917,536</u> | <u>\$444,233</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 \$351,934 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, increased by \$189,842 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.

**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 |
|--------------------------------------|----|---------|

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

|                               |    |         |
|-------------------------------|----|---------|
| Accounts Payable              | \$ | 40,960  |
| Accrued Salaries and Benefits |    | 119,996 |
| Credit Card Payable           |    | 1,831   |
| Unearned Grant Income         |    | 321,997 |
| Total Current Liabilities     |    | 484,784 |

**NONCURRENT LIABILITY**

|                       |  |         |
|-----------------------|--|---------|
| Net Pension Liability |  | 531,044 |
|-----------------------|--|---------|

**DEFERRED INFLOWS OF RESOURCES**

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

**NET POSITION-UNRESTRICTED**

|  |    |           |
|--|----|-----------|
|  | \$ | 1,917,536 |
|--|----|-----------|

*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**

|   | <b>ACTUAL</b> |
|---|---------------|
| <b>OPERATING REVENUES-Member</b>              |               |
| Entity Contributions:                         |               |
| City of Palo Alto                             | \$ 375,798    |
| City of East Palo Alto                        | 375,798       |
| City of Menlo Park                            | 375,798       |
| Santa Clara Valley Water District             | 375,798       |
| San Mateo County Flood Control District       | 375,798       |
| Total Operating Revenues                      | 1,878,990     |
| <br><b>OPERATING EXPENSES:</b>                |               |
| Personnel:                                    |               |
| Salaries and Wages                            | 603,468       |
| Benefits                                      | 222,157       |
| Payroll Taxes                                 | 118,107       |
| Internship Program                            | 11,330        |
| Personnel Services                            | 19,042        |
| Legal   | 135,288       |
| Financial/CPA                                 |               |
| Grant Administrator                           | 63,540        |
| Office Expense                                | 120,765       |
| Consultant Services/Studies                   |               |
| Contingency                                   | 15,246        |
| Total Operating Expenses                      | 1,308,943     |
| <br>Operating Profit(Loss)                    | 570,047       |
| <br><b>NON-OPERATING REVENUES (EXPENSES):</b> |               |
| Interest                                      | 85,231        |
| Miscellaneous Income                          | 6,773         |
| Member Reserve Contribution                   | 234,874       |
| Grants  | 0             |
| Consultant Services/Project                   | (452,692)     |
| Total Non-Operating Revenues(Expenses)        | (125,814)     |
| <br><b>CHANGES IN NET POSITION</b>            | 444,233       |
| <b>NET POSITION, BEGINNING OF YEAR</b>        | 1,473,303     |
| <b>NET POSITION, END OF YEAR</b>              | \$ 1,917,536  |

*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             | (876,373)    |
| Cash Paid for all Expenses Other Than Employees | (790,288)    |
| Cash Received from Miscellaneous Sources        | 6,773        |
| Cash Provided by Operating Activities           | 219,102      |

**CASH FLOWS FROM INVESTING ACTIVITY**

|                   |        |
|-------------------|--------|
| Interest Received | 85,231 |
|-------------------|--------|

**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 |
|------------------|---------|

|  |                  |
|--|------------------|
| <b>CASH &amp; INVESTMENTS, BEGINNING OF YEAR</b> | <b>1,978,562</b> |
|--|------------------|

|  |                     |
|--|---------------------|
| <b>CASH &amp; INVESTMENTS, END OF YEAR</b> | <b>\$ 2,791,338</b> |
|--|---------------------|

**RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

**TO OPERATING LOSS:**

|   |            |
|---|------------|
| Cash Provided(Used) by Operating Activities | \$ 219,102 |
| Cash Received for Reserves                  | 234,874    |
| Increase in Prepaid Expenses                | 490        |
| Increase in Inventory                       | 653        |
| Increase in Deferred Outflow                | 5,161      |
| Increase in Accounts Payable                | 182,290    |
| Increase in Deferred Inflow                 | 1,796      |
| Decrease in Accrued Salaries and Benefits   | (74,319)   |
| Operating Profit(Loss)                      | \$ 570,047 |

*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 (GASB) 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 \$375,798 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 \$119,996 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 \$135,056 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 \$3,915 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 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.

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.

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

**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.

**The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:**

|   | Miscellaneous               |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>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%                          |

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

**NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**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 |
|--------------------------|-----------|

**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 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<br>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

**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 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<br>Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences Between Expected and<br>Actual Experience                                  | \$ 25,238                         | \$ (3,915)                       |
| Changes of Assumptions   | 29,827                            |                                  |
| Net Difference Between Projected and<br>Actual Earnings on Pension Plan<br>Investments | 79,991                            |                                  |
|  | \$ 135,056                        | \$ (3,915)                       |
| Total  |                                   |                                  |

**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<br>(b)   |
| Post Retirement Benefit<br>Increase | Contract COLA up to 2.30% until Purchasing Power<br>Protection Allowance Floor on Purchasing Power applies<br>2.30% thereafter |

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

**NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

- (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.

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.

**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 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.

**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:

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

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

**NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**Employees Covered**

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

|             |   |
|-------------|---|
| Active      | 4 |
| Transferred |   |
| Separated   |   |
| Retired     |   |
| Total       | 4 |

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<br>Outflow/(Inflow) of<br>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

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

**NOTE 5 – PROJECTS (CONTINUED)**

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 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.

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

**NOTE 5 – PROJECTS (CONTINUED)**

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 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 t 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.

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

**NOTE 5 – PROJECTS (CONTINUED)**

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.

**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 as of June 30, 2024.

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

The California Department of Water Resources 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 March XX, 2026 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\***

|  | <u>2024</u>  | <u>2023</u> | <u>2022</u> | <u>2021</u>  | <u>2020</u> | <u>2019</u>  | <u>2018</u>  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|-------------|-------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|
| 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, 2016, and 7.50% for measurement date 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\***

|   | <u>2024</u>     | <u>2023</u>     | <u>2022</u>     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 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 | <u>(59,225)</u> | <u>(46,213)</u> | <u>(53,085)</u> | <u>(35,252)</u> | <u>(49,048)</u> | <u>(42,282)</u> | <u>(38,046)</u> | <u>(36,177)</u> | <u>(38,335)</u> | <u>(37,657)</u> |
| Contribution Deficiency (excess)                                      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| 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 | 6/30/2018 | 6/30/2017 | 6/30/2016 | 6/30/2015 | 6/30/2013 |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

GASB 68 required schedule

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