SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

GRANT & SMITH, LLP
Certified Public Accountants

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net position of San Francisquito Creek Joint Powers Authority (the "Authority") as of June 30, 2018, and the related statement of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and on pages 3 to 6, schedule of Authority's proportionate share of net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, 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.

Grant & Smith LLP

Grant & Smith, LLP
Oakland, California
November 27, 2019

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

This Managcmcnt'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, 2018. 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, 2018.

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, 2018, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority decreased by $72,170 from the prior year. The composition of net position as of June 30, 2018 and 2017 is shown in the following table:

	FY 17-18	*FY 16-17*	*Change*
Cash	$828,034	$3,378,739	$(2,550,705)
Prepaid Expenses	10,969	11,240	(271)
Total assets	839,003	3,389,979	(2,550,976)
Deferred Outflows of Resources	43,813	49,987	(6,174)
Accounts Payable	2,365		(2,365)
Accrued Salaries and Benefits	60,615	53,379	(7,236)
Unearned Grant Income	601,713	3,086,587	2,484,874
Net Pension Liability	202,271	215,631	13,360
Total liabilities	866,964	3,355,597	2,488,633
Deferred Inflows of Resources	11,418	7,765	3,653
Net Position	$4,434	$76,604	$(72,170)

Accrued salaries and benefits increased by $7,236 due to accrued vacation. Unearned Grant Income decreased by $2,484,874.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2018, the Authority's net position decreased by $72,170 from the prior year. This change in net position is shown in the following table:

	FY 17-18	*FY 16-17*	*Change*
Total operating revenues	$760,000	$760,000	$0
Total operating expenses	857,124	796,007	(61,117)
Operating profit (loss)	(97,124)	(36,007)	(61,117)
Net non-operating revenues(expenses)	24,954	25,557	(603)
Change in net position	(72,170)	(10,450)	(61,720)
Net position, beginning of year	76,604	87,054	(10,450)
Net position, end of year	$ 4,434	$76,604	$(72,170)

Operating revenues are comprised of Member Entity contributions. Each member contributed $152,000 in fiscal year 2017-2018 and 2016-2017.

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, 2018, increased by $61,117 which is primarily due to the following:

- Approximate $60,000 increase in Personnel Costs

Summary of Known Facts, Decisions or Conditions

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

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

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:

Mr. Len Materman
Executive Director
San Francisquito Creek Joint Powers Authority
615 B Menlo Avenue
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

ASSETS

CURRENT ASSETS		
Cash and Investments	$	828,034
Prepaid Expenses		10,969
Total Assets		839,003
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	$	43,813

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	2,365
Accrued Salaries and Benefits		60,615
Unearned Grant Income		601,713
Total Current Liabilities		664,693
NONCURRENT LIABILITY		
Net Pension Liability		202,271
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred		11,418
Total Deferred Inflows of Resources		11,418
NET POSITION-UNRESTRICTED	$	4,434

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	$ 152,000	$ 152,000	$
City of East Palo Alto	152,000	152,000	
City of Menlo Park	152,000	152,000	
Santa Clara Valley Water District	152,000	152,000	
San Mateo County Flood Control District	152,000	152,000	
Total Operating Revenues	760,000	760,000	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	482,624	474,350	8,274
Benefits	199,196	207,000	(7,804)
Payroll Taxes	32,269	55,000	(22,731)
Personnel Services	7,584	7,500	84
Auto Allowances	5,000	5,000	
Legal	23,564	40,000	(16,436)
Financial/CPA	13,000	15,000	(2,000)
Grant Administrator	30,204		30,204
Office Expense	63,206	67,310	(4,104)
Consultant Services/Studies		35,000	(35,000)
Contingency	477	35,000	(34,523)
Total Operating Expenses	857,124	941,160	(84,036)
Operating Profit(Loss)	(97,124)	(181,160)	84,036
NON-OPERATING REVENUES (EXPENSES):			
Interest	4,530	200	4,330
Grants	5,952,473	181,000	5,771,473
Consultant Services/Project	(5,932,049)		(5,932,049)
Total Non-Operating Revenues(Expenses)	24,954	181,200	(156,246)
CHANGES IN NET POSITION	(72,170)	40	(72,210)
NET POSITION, BEGINNING OF YEAR	76,604		76,604
NET POSITION, END OF YEAR	$ 4,434	$ 40	$ 4,394

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	760,000
Cash Paid to Employees for Services		(710,386)
Cash Paid for all Expenses Other Than Employees		(119,975)
Cash Used by Operating Activities		(70,361)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		4,530
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Received from Grantors		(2,484,874)
Increase in Cash		(2,550,705)
CASH & INVESTMENTS, BEGINNING OF YEAR		3,378,739
CASH & INVESTMENTS, END OF YEAR	$	828,034
NON-CASH NON-CAPITAL FINANCING ACTIVITY		
Project Costs Paid by U.S. Army Corps of Engineers	$	
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	(70,361)
Decrease in Prepaid Expenses		(271)
Increase in Deferred Outflow		(6,174)
Decrease in Accounts Payable		(22,789)
Decrease in Deferred Inflow		(3,653)
Increase in Accrued Salaries and Benefits		6,124
Operating Profit(Loss)	$	(97,124)

See Accompanying Notes.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board pronouncements.

Budget

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

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed $152,000 during the year ended June 30, 2018, 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 $60,615 for this liability at June 30, 2018. 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.

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 $43,813 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 $11,418 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.

New Accounting Pronouncements Implemented

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Benefits. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Implemented (Continued)

information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2018.

New Accounting Pronouncements Not Yet Adopted

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The statement addresses accounting and financial reporting for certain asset retirement obligations. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, Fiduciary Obligations. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Authority's fiscal year ending June 30, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement is effective for the Authority's fiscal year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for the Authority's fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separated organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. The Statement is effective for the Authority's fiscal year ending June 30, 2020.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2018 consisted of:

LAIF	$	174,004
Wells Fargo Bank		653,728
Petty Cash		302
Total	$	828,034

During the year ended June 30, 2018, $653,728 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

$174,004 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 '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 Local Government 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, 2018, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	7%	6.25%
Required employer contribution rates	13.751%	6.55%

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, 2018 the contributions recognized as part of pension expense were as follows:

Contributions – Employer	$ 38,045
Contributions – Employee	$ 32,725

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, 2018, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 202,271

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, 2018 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, 2017 rolled forward to June 30, 2018 using standard update

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, 2017, the Authority recognized pension expense of $38,045. At June 30, 2018, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 10,685	$ (3,637)
Changes of Assumptions	31,751	(7,781)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,377	
Total	$ 43,813	$ (11,418)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	3%
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

All actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience study can be obtained at the CalPERS' website under Forms and Publications.

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 7.15 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 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 maior asset class.

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

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.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47%	4.9%	5.38%
Global Fixed Income	19%	.8%	2.27%
Inflation Sensitive	6%	.6%	1.39%
Private Equity	12%	6.6%	6.63%
Real Estate	11%	2.8%	5.21%
Infrastructure & Forestland	4.5%	3.9%	5.36%
Liquidity	3%	(0.40)%	(.90)%

(a) An expected inflation of 2.0% used for this period
(b) An expected inflation of 2.92% used for this period

Pension Plan Fiduciary Net Position

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

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 of 7.15 percent, 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability	$ 481,867	$ 202,271	$ 149,853

As of June 30, 2018, the Authority reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 10,686	$ (3,636)
Changes of Assumptions	31,751	(7,782)
Adjustment due to Differences in Proportions	1,376	
Total	$ 43,813	$ (11,418)

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense.

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

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2019	$ 27,365
2020	15,8542
2021	(8,307)
2022	(2,505)
2023	0
Thereafter	0

NOTE 5 – U. S. ARMY CORPS OF ENGINEERS PROJECT

In November 2005, the Authority entered into an agreement with the U.S. Army Corps of Engineers (the "Corps") to share in the cost of a study (the "Corps Project") to determine project alternatives for flood damage reduction and ecosystem restoration for the San Francisquito Creek. Phase I of the Corps Project, a reconnaissance investigation, concluded in 2006 with a determination of federal interest in advancing the Corps Project to Phase II.

The Authority is currently party to a Feasibility Cost Share Agreement (FCSA) with the U.S. Army Corps of Engineers, for Phase II (Feasibility Phase) of a multi-year flood protection and ecosystem restoration federal study (Study). The FCSA estimates total Study costs to be $7.5 million, of which the Authority, acting as the local sponsor on behalf of its member agencies, is responsible for 50% local matching funds, including $618,225 in-kind contributions.

Funding agreements by and between the Authority and its member agencies provide for the Authority's share of project costs with $1.5 million contributions each from the Santa Clara Valley Water District and the San Mateo County Flood Control District, $32,500 from the City of Menlo Park , $33,000 from the City of East Palo Alto, $74,100 from the Santa Clara Valley Water District for Tidal flooding and approximately $592,800 of in-kind contributions from Authority staff and $25,425 of in-kind contributions from the Santa Clara Valley Water District. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District have made cash deposits into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during that year. The Authority reports all Corps Project costs as non-operating consultant services/studies expenses and the Corps share of such costs as Federal contribution.

NOTE 6 – UNEARNED GRANT INCOME

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

The amount of deferred inflow for year ended June 30, 2018 is $613,131 - funders included:

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

Funding from Facebook, Peninsula Open Trust, City of East Palo Alto and City of Palo Alto is to be used for the Strategy to Advance Flood-Protection Eco-System & Recreation along the Bay Project Adjacent to Facebook Headquarters.

NOTE 7 – SUBSEQUENT EVENTS

Construction on the Bay-101 project began in August 2016. In channel work was completed in October 2018, with flood protection elements substantially completed by December 2018. Installation of restoration plantings continued after that date and will be ongoing until the project's success criteria for restoration plantings is achieved. The SFCJPA's Proposition 1E grant was closed out in late 2018 and final grant reimbursements were released at that time. The final invoice and Project Completion report for the SFCJPA's Proposition 84 grant was submitted in 2019. Final grant reimbursements have not yet been received.

In 2019 the Corps of Engineers closed its General Investigation on San Francisquito Creek. The SFCJPA and San Francisco District of the Corps of Engineers may pursue an agreement under the Corps' Continuing Authorities Program, section 205 (CAP 205) at a later date. Using local funds, the SFCJPA has advanced project design upstream of Highway 101. In September of 2019 the SFCJPA Board certified the Final Environmental Impact Report for the upstream project. Final design and permitting will take place over the next one to two fiscal years, with construction anticipated in 2021.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Proportion of the net pension liability	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	$ 299,990	$ 244,013	$ 159,686	$ 164,311
Covered- employee payroll	$ 487,624	$ 451,433	$ 285,466	$ 260,616
Proportionate share of fiduciary net position	$ 1,044,546	$ 747,412	$ 655,409	
Proportionate Share of the net pension liability as percentage of covered-employee payroll	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018.

Changes in assumptions: There were no changes in assumptions.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

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

Notes to Schedule

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

GASB 68 required schedule