



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
SFCJPA.ORG

**Notice of Regular Meeting of the
BOARD OF DIRECTORS
City of Palo Alto Council Chambers
250 Hamilton Avenue, Palo Alto, California
September 24, 2015 at 4:00 p.m.**

AGENDA

- 1) ROLL CALL
- 2) APPROVAL OF AGENDA
- 3) APPROVAL OF MEETING MINUTES – July 23, 2015 Board meeting
- 4) PUBLIC COMMENT – *Individuals may speak on any topic for up to three minutes; during any other Agenda item, individuals may speak for up to three minutes on the subject of that item.*
- 5) REGULAR BUSINESS – EXECUTIVE DIRECTOR'S REPORT
 - a) Reducing flood risk along the Creek prior to winter storms
 - b) New Flood Early Warning System website
 - c) Multi-Agency Coordination of emergency response
 - d) Accept Fiscal Years 2012-13 and 2013-14 Audited Financial Statements, audited by Grant & Smith, LLP
 - e) S.F. Bay-Highway 101 project construction planning
- 6) BOARD MEMBER MATTERS - *Non-agendized comments, requests, or announcements by Board members; no action may be taken.*
- 7) ADJOURNMENT

PLEASE NOTE: This Board meeting Agenda can be viewed online by 4:00 p.m. on September 21, 2015 at sfcjpa.org -- click on the "Meetings" tab near the top. Supporting documents related to the Agenda items listed above will be available at the same online location by 10:00 a.m. on September 23, 2015.

NEXT MEETING: Regular Board meeting, October 22, 2015 at 4:00 p.m., Menlo Park City Council Chambers.

San Francisquito Creek Joint Powers Authority
September 24, 2015 Regular Board Meeting
Agenda Item 3
July 23, 2015 Regular Board Meeting Minutes

Director Pine called the meeting to order at 4:05 p.m. at the City of Menlo Park City Council Chambers, Menlo Park, CA.

DRAFT

1) ROLL CALL

Members Present: Director Abrica, City of East Palo Alto
Director Burt, City of Palo Alto
Director Pine, San Mateo County Flood Control District

Alternates Present: Nai Hsueh, Santa Clara Valley Water District

Members Absent: Director Keith, City of Menlo Park
Director Kremen, Santa Clara Valley Water District

JPA Staff Present: Len Materman, Executive Director
Kevin Murray, Staff
Miyko Harris-Parker, Staff

Legal Present: Greg Stepanicich

Others Present: Carlos Romero, East Palo Alto City Council Member, Trish Mulvey, Palo Alto resident; Dennis Parker, East Palo Alto resident; Jerry Hearn, Portola Valley resident; Joe Teresi, City of Palo Alto; Kamal Fallaha, City of East Palo Alto; Saied Hosseini, Santa Clara Valley Water District (SCVWD); Brian Perkins, Office of Congresswoman Speier; Eileen McLaughlin, Citizens Committee to Complete the Refuge (CCCR); Ray Crozier, Palo Alto resident

2) APPROVAL OF AGENDA

Director Abrica made a motion to approve the agenda. Director Burt seconded. Agenda approved 4-0. Director Keith and Director Kremen not present.

3) APPROVAL OF MEETING MINUTES-June 25, 2015

Director Burt made a motion to approve the June 25, 2015 meeting minutes with recommendation to amend paragraph one on page two of the minutes to change the word report to analysis. Director Abrica seconded. Minutes approved 3-0-1 with recommendation to amend paragraph one on page two of the minutes to change the word report to analysis. Director Hsueh abstained. Director Keith and Director Kremen not present.

4) PUBLIC COMMENT

Mr. Crozier, Palo Alto creekside resident, spoke to the Board about an ongoing issue he has had with a tree on his property in the creek that may be creating a problem for the bank. Mr. Crozier told the Board that the SCVWD had planned to remove the tree more than once but it is still there, and he asked the Board for guidance in addressing the issue. Mr. Materman replied that he will schedule a meeting with Mr. Crozier to further discuss this issue, and Mr. Crozier requested action regarding removal of the tree.

Trish Mulvey, Palo Alto resident, thanked Mr. Materman for their recent meeting with the Palo Alto Public Art folks. Mrs. Mulvey also thanked SCVWD for providing Stanford with the analysis that was discussed at the last JPA Board meeting. Mrs. Mulvey also discussed the issue of the restricted public access to the creek that was discussed at the last Board meeting commenting that East Palo Alto will not be participating in Coastal Cleanup Day as a result of this issue.

San Francisquito Creek Joint Powers Authority
September 24, 2015 Regular Board Meeting
Agenda Item 3
July 23, 2015 Regular Board Meeting Minutes

5) REGULAR BUSINESS

S.F. Bay-Highway 101 project construction planning

Mr. Materman and Mr. Murray provided an update on S.F. Bay-Highway 101 project construction planning.

Director Burt asked staff to explain what would be involved in proving that the abandoned PG&E line would not create an environmental impact. Mr. Murray estimated that the level of analysis needed to convince the Regional Water Board that leaving the pipe in place would cause less environmental disturbance than excavating it would take several months of work and would cost at least \$50,000, based on our more costly experience in 2014 responding to Regional Water Board requests. Mr. Murray noted that this is because the Regional Water Board is asking not just for an analysis of the environmental impacts of our options, but also that we demonstrate that there is not a foreseeable chance that the pipe would ever be exposed. Director Burt remarked on the need to know the time and cost for what the Regional Water Board is asking of us and the impact of this request on our permit process. Mr. Stepanicich explained that additional follow-up would help us understand if the Regional Water Board inquiry can have impact on the permit application.

Director Pine concurred with Director Burt saying that we need to have an accurate accounting of what it would cost in case we do decide to remove the second line. Mr. Materman replied saying that staff will put together a cost estimate for the next Regular Board meeting in September.

Director Abrica concurred with Director Burt and Director Pine. Director Abrica expressed his frustration with the lack of clarity in the Water Board's communication.

Potential actions prior to December 2015 to provide temporary flood protection along the Creek

Mr. Materman and Mr. Murray gave a brief presentation on the potential actions that could be taken prior to December 2015 to provide temporary flood protection along the creek.

Kamal Fallaha, East Palo Alto City Engineer, provided an update on the City of East Palo Alto's winter preparedness activities, highlighting that the City is looking to extend sandbags on top of its levee downstream of Highway 101 towards the O'Conner Pump Station. He also mentioned the Mutual Aid Agreement that was just completed in San Mateo County.

Director Abrica spoke of the work the City of East Palo Alto completed since the last flood and he commended Mr. Fallaha and other staff. Director Abrica expressed his frustration with the process of trying to protect the citizens, and he stated that the City will do whatever it takes to accomplish that.

Brian Perkins, office of Congresswoman Speier, concurred with Director Abrica's comments and he expressed the commitment of Congresswoman Speier and her staff to do whatever is legally possible to help the communities surrounding San Francisquito Creek.

Jim Wiley, Menlo Park resident, thanked the Board and staff for the preemptive emergency preparedness work being planned. Mr. Wiley spoke of the need to have a more aggressive debris removal schedule noting that a more aggressive schedule might help with public perception. Mr. Wiley asked the SFCJPA to fill the eroded gap at the upstream face of the Pope-Chaucer Bridge before it further erodes.

Director Hsueh complemented the Board and staff for their active engagement. Director Hsueh concurred with Director Abrica's comments and thanked Mr. Perkins for his comments.

Director Burt suggested having signage at different locations around the Creek with information on how to access the JPA early warning system website.

San Francisquito Creek Joint Powers Authority
September 24, 2015 Regular Board Meeting
Agenda Item 3
July 23, 2015 Regular Board Meeting Minutes

Board consideration of the SFCJPA response to the San Mateo County Civil Grand Jury Report "Flooding Ahead: Planning for Sea Level Rise" released on June 4, 2015

Mr. Materman asked the Board for authorization to send the agency's response to the San Mateo County Civil Grand Jury Report.

Director Burt stated that the Grand Jury response should mention the geographic and political difficulty we have encountered when adjacent cities are not in the JPA and should be participating in Sea Level Rise planning.

Director Pine commended staff on the draft response. Director Pine stated that JPA could mention its experience of benefitting and seeing Santa Clara County benefit from the SCVWD. Director Burt noted that the need for close collaboration between Santa Clara Valley Water District and a more robust San Mateo County flood protection agency should be highlighted in the response as well.

Director Abrica commented on the fact that the JPA has become a pioneering agency and that we should highlight the fact that we were talking about sea level rise and tidal protection before anyone else was speaking about it. Director Burt concurred with Director Abrica's comments saying we need to emphasize that our project was one of the first in California, especially crossing city and county lines, to include in Sea Level Rise.

Director Burt made a motion to authorize the Executive Director to send the SFCJPA response to the San Mateo County Civil Grand Jury Report "Flooding Ahead: Planning for Sea Level Rise" incorporating comments from the Board and authorizing Vice-Chair Pine to approve the final edits on behalf of the Board. Director Abrica seconded. Motion to authorize the Executive Director to send the SFCJPA response to the San Mateo County Civil Grand Jury Report "Flooding Ahead: Planning for Sea Level Rise" incorporating comments from the Board and authorizing Vice-Chair Pine to approve the final edits on behalf of the Board approved 4-0. Director Keith and Director Kremen not present.

7) ADJOURNMENT

Director Pine adjourned the meeting at 6:07 pm.

Minutes Prepared by Clerk of the Board: Miyko Harris-Parker.

San Francisquito Creek Joint Powers Authority
September 24, 2015 Board Meeting
Agenda Item 5
Executive Director's Report

With the help of Kevin Murray and Miyko Harris-Parker, I am pleased to submit the following:

a. Reducing flood risk along the Creek prior to winter storms

Given that regulatory agency permits for the S.F. Bay-Highway 101 project have delayed construction of that project and our ability to advance the design and EIR of flood protection projects further upstream, coupled with the fact that scientists predict strong El Niño conditions to remain for several months, a focus of the SFCJPA this summer has been to facilitate all feasible short-term actions by member agencies to reduce flood risk.

There are two categories of such actions: 1) removing material in the channel that could contribute to flooding and pose a threat to life and property, including dead and living vegetation, homeless encampments, and trash, and 2) keeping more water in the channel from Middlefield Road to the Bay through the cities selectively raising creek banks in areas that previously flooded or are at risk of flooding.

At this Board meeting, SFCJPA and member agency staff will discuss the timing and scope of these actions.

b. New Flood Early Warning System website

We have spent several Board meetings discussing the SFCJPA's development of a new website that provides better and earlier warning of potential flooding to emergency responders and the general public. This summer, the SFCJPA and City of Palo Alto both engaged a consultant to complete this effort, and at this Board meeting we will demonstrate the features of this website, which also allows users to sign up for text and/or e-mail alerts specific to San Francisquito Creek, report a problem and send us a picture of that problem, link to multiple websites for additional information, including the website's background data and the Palo Alto Creek Monitor website. This new site will become publicly available in October.

c. Multi-Agency Coordination of emergency response

In addition to reducing the risk of flooding and improving the advance notification of possible flooding, the SFCJPA, its member agencies, and other emergency response agencies have been working since the previous flood in December 2012 to enhance the coordination and public communication around emergency response. Led by the City of Palo Alto, this effort has established a San Francisquito Creek Multi-Agency Coordination (SFC MAC) team of public safety, public works, utilities, and public information staff and agency leadership, which has held and continues to hold workshops and trainings. Additionally, the SFC MAC has established reciprocal Emergency Operations Center (EOC) activation notification among the jurisdictions; is working on a multi-jurisdictional Public Works Mutual Aid agreement; and now possesses radio interoperability using Palo Alto's Mobile EOC. At this Board meeting, Palo Alto's Emergency Services Director Ken Dueker will update the Board on this effort.

d. Accept Fiscal Years 2012-13 and 2013-14 Audited Financial Statements, audited by Grant & Smith, LLP

Conducted by Grant & Smith, LLP, the SFCJPA's 2012-13 Audited Financial Statements (attached) found that there were no difficulties with completing the audit and no "deficiencies" or areas of concern. The Audited Financial Statements found that the net assets of the SFCJPA increased during the 2012-13 Fiscal Year by \$25,401 from the prior year, to \$186,190.

Similarly, the SFCJPA's 2013-14 Audited Financial Statements (attached) found that there were no difficulties with completing the audit and no "deficiencies" or areas of concern. The Audited Financial Statements found that the net assets of the SFCJPA increased during the 2013-14 Fiscal Year by \$50,727 from the prior year, to \$236,917.

San Francisquito Creek Joint Powers Authority
September 24, 2015 Board Meeting
Agenda Item 5
Executive Director's Report

Separate from our operating assets, a notable difference between the audits concerns the appearance in the 2013-14 audit of "Cash Flows from Capital Financing Activity" on page 9, which refers to \$850,746 in grants for our S.F. Bay-Highway 101 and SAFER Bay projects that were unspent during that fiscal year. The attached Management Letter concerning both the 2012-13 and 2013-14 audits describes that the audits encountered no difficulties or deficiencies.

With the completion the FY 2012-13 and FY 2013-14 audits, the SFCJPA is now up-to-date with its financial audits. Upon Board acceptance of these two audits, the SFCJPA will engage Grant & Smith, LLP to begin the financial audit of FY 2014-15, which we anticipate will be done within four months.

Proposed Board Action: Accept the attached Fiscal Year 2012-13 and Fiscal Year 2013-14 Audited Financial Statements, audited by Grant & Smith, LLP.

e. S.F. Bay-Highway 101 project construction planning

At SFCJPA Board meetings for the past two years we have discussed our efforts to prepare for construction in order to improve public safety and increase marsh habitat in the Creek between S.F. Bay and Highway 101. Below is a summary of construction planning activities since the last Board meeting.

Approximately one month ago, the U.S. Army Corps of Engineers (Corps) was able to establish a final list of materials needed by the National Marine Fisheries Service (NMFS) and U.S. Fish and Wildlife Service (USFWS) for those agencies to initiate formal consultation for the Corps' permit. Since early September, these materials have been in the hands of these agencies and we await word that the clocks for their review were started at that time.

To advance our discussion of the Regional Water Quality Control Board's request to have all abandoned PG&E pipelines removed from under the creek as part of this Project, we entered into a side contract with the project's design engineering firm, HDR Inc, to prepare a detailed cost estimate of various scenarios for removing portions of the pipelines. We have HDR's cost estimate and we can discuss this topic at the this Board meeting.

SFCJPA and Santa Clara Valley Water District staff met with the California Department of Fish and Wildlife (CDFW) on September 15th to discuss the status of our permit application to this State agency. At that meeting, CDFW requested additional information to support their methodology for calculating impacts to special status species and mitigation requirements for those impacts. We committed to providing this information by October 1, and CDFW committed to providing us their draft permit (known as a Streambed Alteration Agreement) by mid-November and to issue the final permit by the end of 2015.

Submitted by:



Len Materman
Executive Director

Agenda Item 5.d.

Fiscal Year 2012-13
Audited Financial Statements

**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY



GRANT & SMITH, LLP
Certified Public Accountants

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2013

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10





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, 2013, 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, 2013, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 on pages 3 to 6 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.

Oakland, California
September 22, 2015



SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

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, 2013. 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 Authority had no capital assets nor any restricted net position and related debt at June 30, 2013. All the Authority's assets and liabilities are current (generally within 12 months).

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, 2013.

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, 2013, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by \$25,401 from the prior year. The composition of net position as of June 30, 2013 and 2012 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

	<i>FY 12-13</i>	<i>FY 11-12</i>	<i>Change</i>
Cash	\$118,619	\$247,888	(\$ 129,269)
Other government receivables	220,996	76,232	144,764
Prepaid expenses	7,325	12,434	(5,109)
Total assets	<u>346,940</u>	<u>336,554</u>	<u>10,386</u>
Accounts payable	125,639	103,729	21,910
Advance		20,396	(20,396)
Accrued salaries and benefits	35,111	51,640	(16,529)
Total liabilities	<u>160,750</u>	<u>175,765</u>	<u>(15,015)</u>
Net Position	<u>\$186,190</u>	<u>\$160,789</u>	<u>\$25,401</u>

Other government receivables and accounts payable increased by \$144,764 and \$20,396 respectively due to accrued expenses for capital projects.

The Authority pays member agencies' portion of Corp Project (see Note 5) invoices after receiving payment from member agencies. For the year ended June 30, 2013, the Authority's non-operating revenue increased and advance decreased by \$20,396 for the prior year's advance payment from member agencies.

Authority employees did not receive a salary increase during this fiscal year. Accrued salaries and benefits decreased by \$16,529 as a result of payment of the employee portion of health benefits.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2013, the Authority's net position increased by \$25,401 from the prior year. This change in net position is shown in the following table:

	<i>FY 12-13</i>	<i>FY 11-12</i>	<i>Change</i>
Total operating revenues	\$540,000	\$490,000	\$ 50,000
Total operating expenses	516,051	497,268	18,793
Operating profit (loss)	<u>23,949</u>	<u>(7,268)</u>	<u>31,217</u>
Net non-operating revenues	1,452	1,395	57
Change in net position	<u>25,401</u>	<u>(5,873)</u>	<u>31,274</u>
Net position, beginning of year	160,789	166,662	(5,873)
Net position, end of year	<u>\$186,190</u>	<u>\$160,789</u>	<u>\$ 25,401</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

Operating revenues are comprised of Member Entity contributions. Each member contributed \$108,000 in fiscal year 2012-2013 and \$98,000 in fiscal year 2011-2012.

Operating expenses are comprised of the personnel cost of the Authority's three employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2013, increased by \$18,793 which is primarily due to the following:

- Approximate \$20,803 increase in legal services associated with the SFCJPA Bay – Highway 101 project.

Summary of Known Facts, Decisions or Conditions

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

- The Authority's operational budget is funded by annual member agency contributions. The member agencies derive funding from different sources within their general budgets. Those budgets are dependent upon the State's economy and a future stable economic climate. The Authority members are only bound in a voluntary agreement, and make year-to-year decisions whether they will continue to participate in the Authority by contributing the amount requested by the Authority through its approved operating budget.
- The Authority is under contract with the U.S. Army Corps of Engineers for Phase II (Feasibility Phase) related to a multi-year flood control and ecosystem restoration project. The contract estimates total project cost to be \$7.5 million, of which the Authority, acting as the umbrella organization for its member agencies, is responsible for 50% local matching funds, including \$618,225 in-kind contributions.

Two members of the Authority, the San Mateo County Flood Control District and the Santa Clara Valley Water District, have agreed through a resolution of the Authority Board, to provide \$1.5 million each for project completion through Phase II. The federal matching dollars are approved on a year-to-year basis through the Congressional/Presidential budget planning process and are subject to fluctuation in amounts. In addition Santa Clara County Valley Water District has agreed to contribute an additional \$74,000 toward the study of Tidal Funding. The City of Menlo Park will contribute \$32,500 and the City of East Palo Alto will contribute \$33,000 toward the study of tidal flooding.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

Summary of Known Facts, Decisions or Conditions (Continued)

The agreements discussed above call for the Authority to manage the project with the Corps, coordinate all member agency participation, run a media and public participation campaign, and maintain accounting records.

Funding beyond Phase II has not yet been determined and is the subject of management discussions. The entire cost of project will not be known until sometime after Phase II is completed in about 2015.

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 Ave.
Menlo Park, CA 94025

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Cash and Equivalents	\$ 118,619
Other Government Receivables	220,996
Prepaid Expenses	7,325
Total Assets	<u>346,940</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	125,639
Advances	-
Accrued Salaries and Benefits	35,111
Total Current Liabilities	<u>160,750</u>

NET POSITION-Unrestricted	<u>\$ 186,190</u>
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See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 108,000	\$ 108,000	\$ -
City of East Palo Alto	108,000	108,000	-
City of Menlo Park	108,000	108,000	-
Santa Clara Valley Water District	108,000	108,000	-
San Mateo County Flood Control District	108,000	108,000	-
Total Operating Revenues	<u>540,000</u>	<u>540,000</u>	<u>-</u>
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	248,025	248,025	-
Benefits	110,616	135,000	(24,384)
Payroll Taxes	20,615	19,000	1,615
Personnel Services	1,188	5,400	(4,212)
Auto Allowances	5,000	5,000	-
Legal	28,491	30,000	(1,509)
Financial/CPA	12,000	12,000	-
Office Expense	45,272	42,650	2,622
Consultant Services/Studies	43,085	110,000	(66,915)
Contingency	1,759	10,000	(8,241)
Total Operating Expenses	<u>516,051</u>	<u>617,075</u>	<u>(101,024)</u>
Operating Profit	<u>23,949</u>	<u>(77,075)</u>	<u>101,024</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	1,452	1,500	(48)
State Grant	-	50,000	(50,000)
Federal Contribution to Corps Project	-	-	-
Local Agencies Contribution to Corps Project	577,834	-	577,834
Consultant Services/Corps Project	(577,834)	-	(577,834)
Total Non-Operating Revenues	<u>1,452</u>	<u>51,500</u>	<u>(50,048)</u>
CHANGES IN NET POSITION	25,401	(25,575)	50,976
NET POSITION, BEGINNING OF YEAR	160,789	-	160,789
NET POSITION, END OF YEAR	<u>\$ 186,190</u>	<u>\$ (25,575)</u>	<u>\$ 211,765</u>

See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Member Entities	\$ 540,000
Cash Paid to Employees for Services	(395,785)
Cash Paid for all Expenses Other Than Employees	(274,936)
Cash Used by Operating Activities	<u>(130,721)</u>

CASH FLOWS FROM INVESTING ACTIVITY

Interest Received	<u>1,452</u>
Decrease in Cash	(129,269)

CASH & INVESTMENTS, BEGINNING OF YEAR 247,888

CASH & INVESTMENTS, END OF YEAR \$ 118,619

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

TO OPERATING LOSS:

Cash Used by Operating Activities	\$ (130,721)
Increase in Other Government Receivables	144,764
Decrease in Prepaid Expenses	(1,903)
Increase in Accounts Payable	(25,116)
Decrease in Advance	20,396
Decrease in Accrued Salaries and Benefits	16,529
Operating Profit	<u><u>\$ 601,783</u></u>

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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)
YEAR ENDED JUNE 30, 2013**

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 powers 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 \$108,000 during the year ended June 30, 2013, 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 \$35,111 for this liability at June 30, 2013. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. In excess of 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)
YEAR ENDED JUNE 30, 2013

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. Currently, the Authority does not report any deferred outflows.

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. Currently, the Authority does not report any deferred inflows.

Net Position

The difference between assets, liabilities and deferred inflow 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)
YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 68

In June 30, 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for pension. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pensions plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2014.

Governmental Accounting Standards Board Statement No. 72

In June 2015, GASB issued Statement No. 72, Fair Value Measurement And Application This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2016.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 75

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 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

Governmental Accounting Standards Board Statement No. 76

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for the Authority’s fiscal year ending June 30, 2016.

NOTE 3 - CASH AND INVESTMENTS

The cash balance as of June 30, 2013 consisted of:

LAIF	\$ 93,006
Wells Fargo Bank	25,351
Petty Cash	262
Total	<u>\$ 118,619</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

During the year ended June 30, 2013, \$25,351 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 considered to be 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
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Money Market Mutual Funds
- Savings Account
- Securities of the State of California

\$93,006 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 Agency'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 three employees through the California Public Employees Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. This plan acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Plan.

Benefit provisions under the plan are established by State statute. Benefits are based on years of service, age and final compensation, equal to the average of the employees' highest consecutive

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

12-month period. Funding requirements for the plan are determined as of each June 30 on an actuarial basis by CalPERS and the Authority must contribute these amounts. Benefits vest over five years, benefit payments are monthly for life and the retirement age is 50.

CalPERS determines contribution requirements using the Entry Age Normal cost method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. The actuarial assumptions used to compute contribution requirements are also used to compute the pension benefit obligation. The Authority required contribution rate for the year ended June 30, 2013 was 26.361%. The actuarially required contribution for the years ended June 30, 2013, 2012 and 2011, and the amounts actually contributed by the Authority were \$65,383, \$34,008 and \$21,476, respectively.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.5% is assumed, including inflation at 2.75%. Projected annual salary increases are assumed to vary from 3.3% to 14.2% depending on age and duration of service. The Authority's unfunded actuarial accrued liability is being amortized as follows:

- Gains and losses amortized over a fixed 30-year period
- Changes in plan provisions or actuarial assumptions amortized over a fixed 20-year period
- Side fund for agencies joining a risk pool amortized over a fixed 7-year period

The plan's actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30, 2013:

<i>Actuarial Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Plan's Share of Pool's Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>Unfunded Liability as % of Payroll</i>
2011	\$385,545	\$246,035	139,510	63.8%	\$253,025	74.5%
2012	451,929	286,073	165,856	63.3%	250,504	66.2%
2013	521,432	361,397	160,035	69.3%	253,025	63.2%

The most recently available actuarial report from CalPERS was as of June 30, 2013. Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

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 Watershed. The study is estimated to cost approximately \$7.5 million with costs shared evenly between the Corps and the Authority (along with its Member Entities). The funding agreement shows that the Authority’s share of project costs will be met by \$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. After the study is complete in approximately 2015, the Authority and Corps will consider moving to a construction phase of the project. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District are required to deposit cash into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during the year. The Authority reports all Corps Project costs as non-operating consultant services/studies expenses and the Corps share of such costs (None for the year ended June 30, 2013) as Federal contribution and the Local Agencies share as Local Agencies contribution as the costs are incurred.

Agenda Item 5.d.

Fiscal Year 2013-14
Audited Financial Statements

**SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**



SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY



GRANT & SMITH, LLP
Certified Public Accountants

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
TABLE OF CONTENTS
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10

Draft





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, 2014, 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, 2014, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 on pages 3 to 6 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.

Oakland, California
September 22, 2015



SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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, 2014. 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 Authority had no capital assets nor any restricted net position and related debt at June 30, 2014. All the Authority's assets and liabilities are current (generally within 12 months).

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, 2014.

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, 2014, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by \$50,727 from the prior year. The composition of net position as of June 30, 2014 and 2013 is shown in the following table:

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

	<i>FY 13-14</i>	<i>FY 12-13</i>	<i>Change</i>
Cash	\$1,011,775	\$118,619	\$893,156
Other government receivables	132,959	220,996	(88,037)
Prepaid expenses	14,258	7,325	6,933
Total assets	<u>1,158,992</u>	<u>346,940</u>	<u>812,052</u>
Accounts payable	35,108	125,369	(90,261)
Accrued salaries and benefits	36,221	35,111	1,110
Total liabilities	<u>71,329</u>	<u>160,750</u>	<u>761,595</u>
Deferred Inflows of Resources	850,746		850,746
Net Position	<u>\$236,917</u>	<u>\$186,190</u>	<u>\$50,727</u>

Other government receivables and accounts payable decreased by \$88,037 and \$90,261, respectively, due to less accrued expenses for capital projects than the prior year.

For the year ended June 30, 2014 the Authority received from the Department of Water Resources, Facebook, and other grantors advances in the amount of \$850,746.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2014, the Authority's net position increased by \$50,727 from the prior year. This change in net position is shown in the following table:

	<i>FY 13-14</i>	<i>FY 12-13</i>	<i>Change</i>
Total operating revenues	\$590,000	\$540,000	\$50,000
Total operating expenses	540,069	516,051	24,018
Operating profit (loss)	49,931	23,949	25,982
Net non-operating revenues	796	1,452	(656)
Change in net position	50,727	25,401	25,326
Net position, beginning of year	186,190	160,789	25,401
Net position, end of year	<u>\$236,917</u>	<u>\$186,190</u>	<u>\$50,727</u>

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Operating revenues are comprised of Member Entity contributions. Each member contributed \$108,000 in fiscal year 2012-2013 and \$118,000 in fiscal year 2013-2014.

Operating expenses are comprised of the personnel cost of the Authority's three employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2014, increased by \$24,018 which is primarily due to the following:

- Approximate \$32,931 increase in Personnel Costs is primarily due to increase in payroll expenses. Salaries increased by \$22,000 and benefits increased by \$11,000.

Summary of Known Facts, Decisions or Conditions

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

- The Authority's operational budget is funded by annual member agency contributions. The member agencies derive funding from different sources within their general budgets. Those budgets are dependent upon the State's economy and a future stable economic climate. The Authority members are only bound in a voluntary agreement, and make year-to-year decisions whether they will continue to participate in the Authority by contributing the amount requested by the Authority through its approved operating budget.
- The Authority is under contract with the U.S. Army Corps of Engineers for Phase II (Feasibility Phase) related to a multi-year flood control and ecosystem restoration project. The contract estimates total project cost to be \$7.5 million, of which the Authority, acting as the umbrella organization for its member agencies, is responsible for 50% local matching funds, including \$618,225 in-kind contributions.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Summary of Known Facts, Decisions or Conditions (Continued)

Two members of the Authority, the San Mateo County Flood Control District and the Santa Clara Valley Water District, have agreed through a resolution of the Authority Board, to provide \$1.5 million each for project completion through Phase II. The federal matching dollars are approved on a year-to-year basis through the Congressional/Presidential budget planning process and are subject to fluctuation in amounts. In addition Santa Clara County Valley Water District has agreed to contribute an additional \$74,000 toward the study of Tidal Funding. The City of Menlo Park will contribute \$32,500 and the City of East Palo Alto will contribute \$33,000 toward the study of tidal flooding.

The agreements discussed above call for the Authority to manage the project with the Corps, coordinate all member agency participation, run a media and public participation campaign, and maintain accounting records.

Funding beyond Phase II has not yet been determined and is the subject of management discussions. The entire cost of project will not be known until sometime after Phase II is completed in about 2015.

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 Ave.
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 1,011,775
Other Government Receivables	132,959
Prepaid Expenses	14,258
Total Assets	<u>1,158,992</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	35,108
Accrued Salaries and Benefits	36,221
Total Current Liabilities	<u>71,329</u>

Deferred Inflows of Resources

Unearned Grant Income	<u>850,746</u>
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NET POSITION-Unrestricted

\$ 236,917

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	ACTUAL	BUDGET	VARIANCE
OPERATING REVENUES-Member			
Entity Contributions:			
City of Palo Alto	\$ 118,000	\$ 118,000	\$ -
City of East Palo Alto	118,000	118,000	-
City of Menlo Park	118,000	118,000	-
Santa Clara Valley Water District	118,000	118,000	-
San Mateo County Flood Control District	118,000	118,000	-
Total Operating Revenues	<u>590,000</u>	<u>590,000</u>	<u>-</u>
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	267,867	267,867	-
Benefits	135,105	150,000	(14,895)
Payroll Taxes	22,288	19,000	3,288
Personnel Services	6,155	5,700	455
Auto Allowances	5,000	5,000	-
Legal	35,730	30,000	5,730
Financial/CPA	12,000	12,000	-
Grant Administrator	6,672	10,000	(3,328)
Office Expense	45,707	45,450	257
Consultant Services/Studies	-	65,000	(65,000)
Contingency	3,545	10,000	(6,455)
Total Operating Expenses	<u>540,069</u>	<u>620,017</u>	<u>(79,948)</u>
Operating Profit	<u>49,931</u>	<u>-</u>	<u>79,948</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest	796	1,500	(704)
State Grant	-	50,000	(50,000)
Federal Contribution to Corps Project	100,200	-	100,200
Local Agencies Contribution to Corps Project	460,810	-	460,810
Consultant Services/Corps Project	(561,010)	-	(561,010)
Total Non-Operating Revenues	<u>796</u>	<u>51,500</u>	<u>(50,704)</u>
CHANGES IN NET POSITION	50,727	51,500	29,244
NET POSITION, BEGINNING OF YEAR	186,190	-	186,190
NET POSITION, END OF YEAR	<u>\$ 236,917</u>	<u>\$ 51,500</u>	<u>\$ 215,434</u>

See accompanying notes.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Member Entities	\$ 590,000
Cash Paid to Employees for Services	(424,150)
Cash Paid for all Expenses Other Than Employees	(124,236)
Cash Provided by Operating Activities	<u>41,614</u>

CASH FLOWS FROM INVESTING ACTIVITY

Interest Received	796
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITY

Cash Received from Grantors	<u>850,746</u>
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Increase in Cash	893,156
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CASH & INVESTMENTS, BEGINNING OF YEAR	<u>118,619</u>
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CASH & INVESTMENTS, END OF YEAR	<u><u>\$ 1,011,775</u></u>
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NON-CASH NON-CAPITAL FINANCING ACTIVITY

Project Costs Paid by U.S. Army Corps of Engineers	<u><u>\$ (100,200)</u></u>
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RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

TO OPERATING LOSS:

Cash Provided by Operating Activities	\$ 41,614
Decrease in Other Government Receivables	(88,037)
Increase in Prepaid Expenses	6,933
Decrease in Accounts Payable	90,531
Increase in Accrued Salaries and Benefits	(1,110)
Operating Profit	<u><u>\$ 49,931</u></u>

See Accompanying Notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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)
YEAR ENDED JUNE 30, 2014**

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 powers 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 \$118,000 during the year ended June 30, 2014, 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 \$36,221 for this liability at June 30, 2014. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. In excess of 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)
YEAR ENDED JUNE 30, 2014**

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. Currently, the Authority does not report any deferred outflows.

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.

Net Position

The difference between assets, liabilities and deferred inflow 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)
YEAR ENDED JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 68

In June 30, 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for pension. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pensions plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

Governmental Accounting Standards Board Statement No. 72

In June 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2016.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions. 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 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.

Governmental Accounting Standards Board Statement No. 76

The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2016.

NOTE 3 - CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2014 consisted of:

LAIF	\$ 93,533
Wells Fargo Bank	921,966
Petty Cash	214
Total	<u>\$ 1,011,775</u>

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

During the year ended June 30, 2014, \$921,966 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 considered to be 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
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Money Market Mutual Funds
- Savings Account
- Securities of the State of California

\$93,530 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 Agency'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 three employees through the California Public Employees Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. This plan acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Plan.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Benefit provisions under the plan are established by State statute. Benefits are based on years of service, age and final compensation, equal to the average of the employees' highest consecutive 12-month period. Funding requirements for the plan are determined as of each June 30 on an actuarial basis by CalPERS and the Authority must contribute these amounts. Benefits vest over five years, benefit payments are monthly for life and the retirement age is 50.

CalPERS determines contribution requirements using the Entry Age Normal cost method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the Authority must pay annually to fund an employee's projected retirement benefit. The actuarial assumptions used to compute contribution requirements are also used to compute the pension benefit obligation. The Authority required contribution rate for the year ended June 30, 2014 was 21.179%. The actuarially required contribution for the years ended June 30, 2014, 2013 and 2012, and the amounts actually contributed by the Authority were \$56,732, \$65,383 and \$34,008, respectively.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.5% is assumed, including inflation at 2.75%. Projected annual salary increases are assumed to vary from 3.3% to 14.2% depending on age and duration of service. The Authority's unfunded actuarial accrued liability is being amortized as follows:

- Gains and losses amortized over a fixed 30-year period
- Changes in plan provisions or actuarial assumptions amortized over a fixed 20-year period
- Side fund for agencies joining a risk pool amortized over a fixed 7-year period

The plan's actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30, 2014:

<i>Actuarial Valuation Date</i>	<i>Accrued Liability</i>	<i>Share of Pool's Market Value of Assets</i>	<i>Plan's Share of Pool's Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>Unfunded Liability as % of Payroll</i>
2011	\$385,545	\$246,035	139,510	63.8%	\$253,025	74.5%
2012	451,929	286,073	165,856	63.3%	250,504	66.2%
2013	521,432	361,397	160,035	69.3%	253,025	63.2%

The most recently available actuarial report from CalPERS was as of June 30, 2014. Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2014**

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 Watershed. The study is estimated to cost approximately \$7.5 million with costs shared evenly between the Corps and the Authority (along with its Member Entities). The funding agreement shows that the Authority’s share of project costs will be met by \$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. After the study is complete in approximately 2015, the Authority and Corps will consider moving to a construction phase of the project. At the beginning of each year, the Santa Clara Valley Water District and the San Mateo County Flood Control District are required to deposit cash into an escrow account maintained by the Corps in the amount estimated by the Corps to be needed during the 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 (\$100,200 for the year ended June 30, 2014) as the costs are incurred and the Local Agencies share as Local Agencies contribution as the costs are incurred.

NOTE 6 – ADVANCES PAYABLE

Advances payable at June 30, 2014 consisted of:

Department of Water Resource Grant	\$ 555,746
Facebook	275,000
Fish & Wildlife	<u>20,000</u>
Total	<u>\$ 850,746</u>

The Department of Water Resource Grant is a reimbursement for costs associated with the design, CEQA documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, and Recreation Project on San Francisquito Creek.

The Facebook Grant is to be used fund feasibility studies, design and environmental documentation of the SAFER Bay Project Adjacent to Facebook Headquarters.

Agenda Item 5.d.

Management Letter for
FY 2012-13 and FY 2013-14
Audited Financial Statements



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

We have audited the financial statements of the business-type activities, of San Francisquito Creek Joint Powers Authority for the years ending June 30, 2013 and 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisquito Creek Joint Powers Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during years ending June 30, 2013 and June 30, 2014. We noted no transactions entered into by San Francisquito Creek Joint Powers Authority during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. There were no significant findings noted.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial

statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Francisquito Creek Joint Powers Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on management's discussion and analysis and budgetary comparison, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Oakland, California
September 22, 2015