GRANT & SMITH, LLP
Certified Public Accountants

April 17, 2017

Board of Directors
San Francisquito Creek Joint Powers Authority
615B Menlo Avenue
Menlo Park, California 94025

We have audited the financial statements of San Francisquito Creek Joint Powers Authority for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. 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 1 to the financial statements. *We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.*

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.

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 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.

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 the Organization'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 the 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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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.

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

Very truly yours,

Grant & Smith, LLP

Grant & Smith, LLP

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

GRANT & SMITH, LLP
Certified Public Accountants

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
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AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

GRANT & SMITH, LLP
Certified Public Accountants

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, 2015, 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, 2015, 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)

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, 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

Oakland, California
April 17, 2017

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

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, 2015. 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, 2015.

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, 2015.

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, 2015, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority decreased by $21,446 from the prior year. The composition of net position as of June 30, 2015 and 2014 is shown in the following table:

	FY 14-15	*FY 13-14*	*Change*
Cash	$692,377	$1,011,775	$(319,398)
Other government receivables	100,846	132,959	(32,113)
Prepaid expenses	14,191	14,258	(67)
Total assets	807,414	1,158,992	(351,578)
Accounts payable	14,301	35,108	(20,807)
Accrued salaries and benefits	35,636	36,221	(585)
Total liabilities	49,937	71,329	(21,392)
Deferred Inflows of Resources	542,006	850,746	(308,740)
Net Position	$215,471	$236,917	$(21,446)

Other government receivables and accounts payable decreased by $32,113 and $20,807, respectively, due to less accrued expenses for capital projects than the prior year. Deferred Inflows of Resources decreased by $308,740.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2015, the Authority's net position decreased by $21,446 from the prior year. This change in net position is shown in the following table:

	FY 14-15	*FY 13-14*	*Change*
Total operating revenues	$590,000	$590,000	$0
Total operating expenses	604,518	540,069	(64,449)
Operating profit (loss)	(14,518)	49,931	(64,449)
Net non-operating revenues(expenses)	(6,928)	796	(7,724)
Change in net position	(21,446)	50,727	(72,173)
Net position, beginning of year, as restated	236,917	186,190	50,727
Net position, end of year	$215,471	$236,917	$(21,446)

Operating revenues are comprised of Member Entity contributions. Each member contributed $118,000 in fiscal year 2013-2014 and $118,000 in fiscal year 2014-2015.

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, 2015, increased by $64,449 which is primarily due to the following:

- Approximate $35,636 increase in Personnel Costs is primarily due to payout of vacation expense that reduced authority liabilities.
- Legal expenses increased by $20,000 due to permit process.

During the year, the Authority implemented GASB 68 which required the Authority to account for its portion of pension expense and liability. Implementation of GASB 68 required net position to be restated by ($203,347) from $236,917 to $35,570.

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.

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, 2015

ASSETS

CURRENT ASSETS		
Cash and Investments	$	692,377
Other Government Receivables		104,501
Prepaid Expenses		14,191
Total Assets		811,069

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable		14,301
Accrued Salaries and Benefits		35,636
Total Current Liabilities		49,937
NONCURRENT LIABILITY		
Pension Liability		164,311
DEFERRED INFLOWS OF RESOURCES		
Unearned Grant Income		542,006
Pension Deferred		39,036
Total Deferred Inflows of Resources		581,042
NET POSITION-Unrestricted	$	15,779

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	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	590,000	590,000	
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	268,849	267,867	982
Benefits	174,524	157,000	17,524
Payroll Taxes	24,976	24,000	976
Pension Expense			
Personnel Services	8,186	6,800	1,386
Auto Allowances	5,000	5,000	
Legal	51,087	35,000	16,087
Financial/CPA	12,000	15,000	(3,000)
Grant Administrator	6,344	53,000	(46,656)
Office Expense	50,054	53,350	(3,296)
Consultant Services/Studies		40,000	(40,000)
Contingency	3,498	10,000	(6,502)
Total Operating Expenses	604,518	667,017	(62,499)
Operating Profit(Loss)	(14,518)	(77,017)	62,499
NON-OPERATING REVENUES (EXPENSES):			
Interest	858	1,500	(642)
Grants		77,000	(77,000)
Federal Contribution to Corps Project			
Local Agencies Contribution to Corps Project	532,057		532,057
JPA Projects	93,371		93,371
Consultant Services/Project	(629,559)		(629,559)
Total Non-Operating Revenues(Expenses)	(3,273)	78,500	(81,773)
CHANGES IN NET POSITION	(17,791)	1,483	(19,274)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	236,917		236,917
ADOPTION OF GASB 68 (NOTE 4)	(203,347)		
NET POSITION, BEGINNING OF YEAR, AS RESTATED	33,570		
NET POSITION, END OF YEAR	$ 15,779	$ 1,483	$ 217,643

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	590,000
Cash Paid to Employees for Services		(468,934)
Cash Paid for all Expenses Other Than Employees		(132,582)
Cash (Used) by Operating Activities		(11,516)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		858
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Received from Grantors		(308,740)
Decrease in Cash		(319,398)
CASH & INVESTMENTS, BEGINNING OF YEAR		1,011,775
CASH & INVESTMENTS, END OF YEAR	$	692,377
NON-CASH NON-CAPITAL FINANCING ACTIVITY		
Project Costs Paid by U.S. Army Corps of Engineers	$	
RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	(11,516)
Decrease in Other Government Receivables		(28,458)
Increase in Prepaid Expenses		(67)
Decrease in Accounts Payable		24,938
Increase in Accrued Salaries and Benefits		585
Operating Profit(Loss)	$	(14,518)

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 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, 2015, 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 $35,636 for this liability at June 30, 2015. 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. 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. See note 6.

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.

New Accounting Pronouncements Implemented

Governmental Accounting Standards Board Statement No. 68

In June 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 pensions. 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 68(Continued)

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.

New Accounting Pronouncements Not Yet Adopted

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.

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

Governmental Accounting Standards Board Statement No. 76 (Continued)

(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, 2015 consisted of:

LAIF	$ 92,799
Wells Fargo Bank	599,344
Petty Cash	234
Total	$ 692,377

During the year ended June 30, 2015, $599,344 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
- 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

$92,799 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

General information about the Pension 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. Benefit provisions under the Plans are established by State statute and Local Government resolution. The Authority's employees participate in the Miscellaneous Plan. 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, 2015, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	
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%	
Required employer contribution rates	13.36%	

There were no employees at June 30, 2015 that qualified for the after-January 1, 2013 benefits.

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 as of June 30 through the CalPERS' annual actuarial valuation process. The plans actuarially determined rate is based on the estimated amount necessary to pay 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, 2015 the contributions recognized as part of pension expense were as follows:

Contributions – Employer	$ 40,307
Contributions - Employee (Paid by Employer)	$ 10,890
Contributions – Employee (Paid by Employee)	$ 10,890

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date		June 30, 2013
Measurement Date		June 30, 2014
Actuarial Cost Method		Entry Age Normal
Actuarial Assumptions		
Discount Rate		7.50%
Inflation		2.75%
Salary Increases		Varies by Entry Age & Service
Investment Rate of Return		7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
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, 2013 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 t can be obtained at the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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 under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 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 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes. Refer to page 9 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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-tem 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%	5.25%	5.71%
Global Fixed Income	19%	.99%	2.43%
Inflation Sensitive	6%	.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.5%	5.13%
Infrastructure and Forestland	3%	4.5%	5.09%
Liquidity	2%	(0.55)%	(1.05)%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% 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 Net Proportionate Share of Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate -1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Plan's Net Pension Liability	$ 239,915	$ 164, 311	$ 101,566

Pension Expense and Deferred Inflows/Outflows
At the start of the measurement period (July 1, 2013), the net pension liability/(asset) for the plan is $190,110 (The net pension liability of the Miscellaneous Risk Pool as of June 30, 2013 is $3,276,668,431).

For the measurement period ended June 30, 2014 (the measurement date), the San Francisquito Creek Joint Powers Authority incurred a pension expense of $24,205 for the Plan (the pension expense for the risk pool for the measurement period is $239,824,465).

As of June 30, 2014, the San Francisquito Creek Joint Powers 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	$ 0	$ 0
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(27,859)
Adjustment due to Differences in Proportions		(11,177)
Total	$ 0	$ (39,036)

NOTE 4 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2013-14 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 Inflows of Resources
2015	$ (10,957)
2016	(10,957)
2017	(10,158)
2018	(6,964)

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 – DEFFERED INFLOWS

Deferred inflow of resources – 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, 2015 is $581,042 - funders included:

The Department of Water Resource Grant is an advance for costs associated with 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

The Authority has evaluated the results of operations for the period of time from its year end June 30, 2015 through April 17, 2017, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS*

Proportion of the net pension liability	0.00264%
Proportionate share of the net pension liability	$164,311
Covered- employee payroll	$260,616
Proportionate Share of the net pension liability as percentage of covered-employee payroll	63.05%
Plan's fiduciary net position	71.17%
Plan fiduciary net position as a percentage of the total pension liability	$10,968

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, 2013

Changes in assumptions: There were no changes in assumptions

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS

Contractually required contribution (actuarially determined)	37,657
Contributions in relation to the actuarially determined contributions	(37,657)
Contribution Deficiency (excess)	0
Covered-employee payroll	$260,616
Contributions as a percentage of covered-employee payroll	14.45%

Notes to Schedule

Valuation date:	6/30/2013

Methods and assumptions used to determine contribution rates:

Cost-sharing multiple-employer	Entry age
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5 %, net of pension plan investment and admin expense, including inflation
Mortality	Derived using CalPERS' membership data for all funds

GASB 68 required schedule