

## What is the San Francisco Bay Restoration Authority?

The SF Bay Restoration Authority is a regional agency created to fund shoreline projects that will protect, restore, and enhance San Francisco Bay through the allocation of funds raised by the Measure AA parcel tax.

It is comprised of:

- A Governing Board of local elected officials;
- Independent Citizens Oversight Committee to annually review the work of the Authority;
- An Advisory Committee to represent the community and public agencies; and,
- Staff from the State Coastal Conservancy and the Association of Bay Area Governments.

The Restoration Authority was created by the California Legislature in 2008 to find solutions to the need for local funding for Bay restoration.

## What is Measure AA?

Measure AA, or the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure, was a revenue generating measure placed on the June 2016 ballots of the nine-county San Francisco Bay Area by the Restoration Authority.

The measure proposed a 20-year, \$12 parcel tax to raise approximately \$25 million annually, or \$500 million over twenty years, to fund restoration projects in the Bay. It passed with 70% approval across the region and went into effect in 2017.

## What have we done since Measure AA passed in June 2016?

Since Measure AA was passed, the Board and staff of the San Francisco Bay Restoration Authority have been working diligently to prepare to allocate funds towards Bay restoration projects.

Shortly following the passage of the Measure, a Joint Powers Authority was signed between the Authority, the State Coastal Conservancy (SCC) and the Association of Bay Area Governments (ABAG), which enabled staff time from the Conservancy, the San Francisco Estuary Partnership (SFEP) and ABAG's finance team to be dedicated to staffing the Authority and its associated committees, to establishing and administering the grant program and to managing the funds.

Among the first tasks of this newly formed team was payment of ballot costs to the counties through loan agreements with Santa Clara Valley Water District, East Bay Regional Park District and Sonoma County Water Agency.

A budget and work plan were created for FY 16/17 and FY 17/18 to guide the staff, Boards and committees of the Authority, as well as the initial framework and timeline for the grant program in preparation for the first tranche of funds in December 2017.

## **Recruiting a new Advisory Committee**

The Board saw the need to recruit a new Advisory Committee to focus on implementation of the grant program and expand community representation. The Authority reached out to a wide array of Bay Area stakeholders to encourage them to apply to serve on the Advisory Committee, which represents the interests of the community and public agencies.

In early 2017, the Board appointed and convened this new Advisory Committee, composed of over 30 technical experts and community representatives, including representatives of environmental advocacy groups, environmental justice organizations, and local, state and federal agencies.

## **Negotiated Agreements with Nine County Tax Assessors**

Measure AA was the first regional parcel tax measure in California's history. Establishing the mechanisms to collect the tax has necessitated working with tax assessors in each of the nine Bay Area counties. Following thoughtful negotiations in each county, the Governing Board approved a tax process which confirmed that the net revenue coming to the Restoration Authority will be approximately \$25 million per year, as projected.

## **Developed the RFP and Grant Guidelines**

With the passage of Measure AA, the Restoration Authority set to work creating Grant Program Guidelines and the Request for Proposals document to lay out clear grant eligibility and selection criteria. These documents were developed in close consultation with the Advisory Committee, a process that ensured the needs and priorities of the community have a strong voice throughout.

In the economically diverse Bay Area, it was critically important that the tenets of environmental justice helped to frame the project selection process. Projects that benefit economically disadvantaged communities are among Measure AA's priorities and, working with representatives from the environmental justice community on the Advisory Committee, the Restoration Authority adopted a new definition of an economically disadvantaged community that considers income-based metrics as well as environmental and other disproportionate burdens.

In June 2017, the Grant Guidelines were adopted by the Governing Board.

## Financial Summary

After passage of Measure AA, Staff ramped up activities in Fiscal Year 2016/2017 to prepare to receive and administer the parcel tax funds, which were expected to arrive in December 2017. Staff implemented the work plan approved at the November 30, 2016 Governing Board meeting and expended \$225,711.38, with an unused balance of \$128,528.62 (Table 1).

Ballot costs for Measure AA totaled \$1,108,263. Three agencies loaned the SFBRA funds to pay the ballot costs, Santa Clara Valley Water District (75%), East Bay Regional Park District (12.5%), and Sonoma County Water Agency (12.5%) (Table 2). Using the borrowed funds, the Authority paid the ballot costs in eight of the counties and was in the process of paying the final county (Alameda) at the end of the fiscal year. The loaning agencies will be paid back in 3 equal payments over 3 years beginning in Fiscal Year 2018/2019.

The account balance from 2015/2016 was \$2,101, and \$40 in interest was collected; with operating expenses at \$1,333,974, the net position for the year ended June 30 2017 was a deficit of \$1,331,833 (Table 3).

For the full financial reports see the following:

**Appendix A:** San Francisco Bay Restoration Authority Basic Financial Statements for the Year ended June 30, 2017

**Appendix B:** San Francisco Bay Restoration Authority – Memorandum on Internal Control and Required Communications for the Year ended June 20, 2017

**Table 1. Summary of Administrative Expenses by Task**

Administrative Expenses								
	Budget <sup>(1)</sup>	SCC Staff	SCC Travel & Direct	SFEP/ ABAG Staff	Total of Consultant Services	Direct Costs and AC Stipend	Final Total Expended	Unused Balance
<b>Task 1:</b> Joint Powers Agreement & Revenue Management	\$36,000.00	\$5,048.08		\$6,800.63	\$11,848.71		\$11,848.71	\$24,151.29
<b>Task 2:</b> Authority Board	\$85,000.00	\$50,759.60		\$8,000.00	\$58,759.60		\$58,759.60	\$26,240.40
<b>Task 3:</b> Advisory Committee	\$50,000.00	\$48,880.74		\$519.26	\$49,400.00	\$600.00	\$50,000.00	\$0.00
<b>Task 4:</b> Independent Citizens Oversight Committee	\$40,000.00	\$2,996.75		\$5,500.00	\$8,496.75		\$8,496.75	\$31,503.25
<b>Task 5:</b> Grant Program	\$45,000.00	\$36,023.03		\$5,700.00	\$41,723.03		\$41,723.03	\$3,276.97
<b>Task 6:</b> Technical Support and Outreach	\$20,000.00	\$2,463.02			\$2,463.02		\$2,463.02	\$17,536.98
<b>Task 7:</b> SFBRA General Work	\$78,250.00	\$40,336.82	\$506.32	\$11,487.95	\$52,331.09	\$89.18	\$52,420.27	\$25,829.73
	\$354,250.00	\$186,508.04	\$506.32	\$38,007.84	<b>\$225,022.20</b>	\$689.18	<b>\$225,711.38</b>	\$128,538.62

(1) Administrative budget as approved at the November 30, 2016 Governing Board Meeting

**Table 2. Summary of Ballot Costs and Contributions from Loaning Agencies**

Counties	Ballot Costs	Loaning Agencies			
		Santa Clara Valley Water District (75%)	East Bay Regional Park District (12.5%)	Sonoma County Water Agency (12.5%)	
Contra Costa, Marin, Napa, San Mateo, San Francisco, Santa Clara, Solano, and Sonoma <sup>(2)</sup>	\$737,393	\$553,045	\$92,174	\$92,174	\$737,393
Alameda County <sup>(3)</sup>	\$370,870	\$278,152	\$46,359	\$46,359	\$370,870
	\$1,108,263	\$831,197	\$138,533	\$138,533	<b>\$1,108,263</b>

(2) The ballot costs for 8 of the 9 counties was collected from the loaning agencies and paid to the counties in FY 16/17.

(3) The process for collecting the money from the loaning agencies for the Alameda County costs began at the end of FY 16/17, but was not completed until the next fiscal year.

**Table 3. Statement of Activities SFBRA for Fiscal Year 2016/2017**

Net Operating Costs (Administrative Expenses + Ballot Costs) =	\$1,333,974
Account Balance from FY 2015/2016 =	\$2,101
Interest Income =	\$40
Net Position (Ending) =	<b>-\$1,331,833</b>

## Appendix A

### **SAN FRANCISCO BAY RESTORATION AUTHORITY BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**SAN FRANCISCO BAY RESTORATION AUTHORITY  
BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors  
San Francisco Bay Restoration Authority  
San Francisco, California

We have audited the accompanying financial statements of the business-type activities of the San Francisco Bay Restoration Authority (Authority), California, a component unit of the Association of Bay Area Governments, as of and for the year ended June 30, 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's 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 auditor's 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 auditor considers internal control relevant to the Authority'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 Authority'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 business-type activities of the Authority as of June 30, 2017 and the change 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.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.



Pleasant Hill, California  
January 22, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The San Francisco Bay Restorations Authority (Authority) is a regional agency with a Governing Board made up of local elected officials appointed by ABAG. Its purpose is to raise and allocate local resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in San Francisco Bay and along its shoreline. This discussion and analysis provides an overview of financial activities for the fiscal year, and it should be read in conjunction with the accompanying financial statements.

### **FISCAL YEAR ACTIVITIES**

In June 2016 voters in nine Bay Area Counties pass Measure AA creating a parcel tax to provide funding for restoration of San Francisco Bay wetlands. The tax was first assessed in July 2016. The passage of measure demonstrated public support for the restoration and preservation needs of the Bay and Delta and the role of the Authority in meeting those needs. The Authority began receiving the tax revenues in the fall of 2017, fiscal year 2018.

In fiscal year 2017 the Authority began preparations for projects related to the restoration and enhancement of San Francisco Bay. The Authority has laid the ground-work for the administration of the measure, adopting grant program guidelines as well as procedures for the Advisory Committee and Independent Citizens Oversight Committee. The following are the main activities initiated 2017and continuing in 2018.

- Develop Joint Powers Agreement (JPA)
- Develop and adopt a multi-year work plan and budget
- Develop internal control policies and procedures including financial tracking and oversight
- Develop Board Policies
- Develop Citizens Oversight Committee
- Develop contract mechanisms (grant agreements, billing mechanisms/materials)
- Develop Request for Proposals (RFP)

### **NET POSITION – DEFICIT**

Operating expenses of \$1.3 million in the fiscal year ended June 30, 2017 principally related to the qualifying and promotion of Measure AA in June 2016. Because the Authority had no revenue source prior to the passage of Measure AA, these expenditures created a deficit financial position at June 30, 2017. However, all of these expenses were eligible for reimbursement from Measure AA revenues which began flowing to the Authority in fiscal year 2017-18. Accounts payable were paid in 2017 and the long-term liabilities will be repaid in accordance with repayment schedules established by the agreements with the sponsoring agencies.

### **CONTACTING SFBRA FINANCIAL MANAGEMENT**

The Basic Financial Statements are intended to provide SFBRA members, citizens, creditors and other interested parties a general financial overview of the SFBRA operations. Questions about these statements should be directed to San Francisco Bay Restoration Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

ABAG  
SAN FRANCISCO BAY RESTORATION AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2017

ASSETS

Cash and Cash Equivalents (Note 2)	\$48,499
Accounts Receivable	<u>324,511</u>
Total Assets	<u>373,010</u>

LIABILITIES (Note 3)

Accounts Payable	596,581
Due to other agencies	<u>1,108,262</u>
Total Current Liabilities	<u>1,704,843</u>

NET POSITION (DEFICIT)

Unrestricted (Note 4)	<u>(1,331,833)</u>
Total Net Position	<u><u>(\$1,331,833)</u></u>

See accompanying notes to basic financial statements

ABAG  
SAN FRANCISCO BAY RESTORATION AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING EXPENSES

Consultant Services	\$225,022
Outside Printing Costs	1,108,263
Committee	600
Other	<u>89</u>
Total Operating Expenses	<u>1,333,974</u>
Net Operating (Loss)	<u>(1,333,974)</u>

NON-OPERATING REVENUES

Interest Income	<u>40</u>
Total Non-Operating Revenues	<u>40</u>

CHANGE IN NET POSITION	(1,333,934)
NET POSITION - BEGINNING	<u>2,101</u>
NET POSITION (DEFICIT) - ENDING	<u><u>(\$1,331,833)</u></u>

See accompanying notes to basic financial statements

ABAG  
SAN FRANCISCO BAY RESTORATION AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Other Agencies	\$783,751
Payment to Vendors and Consultants	<u>(737,393)</u>
Net Cash Flows from Operating Activities	<u>46,358</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>40</u>
Net Cash Flows from Investing Activities	<u>40</u>

Net Cash Flows	46,398
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CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>2,101</u>
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CASH AND CASH EQUIVALENTS- END OF YEAR	<u><u>\$48,499</u></u>
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RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	(\$1,333,974)
Change in Assets and Liabilities:	
Other Receivables	(324,511)
Accounts Payable	596,581
Due to Other Agencies	<u>1,108,262</u>

Net Cash Flows from Operating Activities	<u><u>\$46,358</u></u>
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See accompanying notes to basic financial statements

**SAN FRANCISCO BAY RESTORATION AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description**

**Description of Reporting Entity** – The San Francisco Bay Restoration Authority (Authority) was created by State legislation on September 30, 2008 to raise and allocate resources for restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitats in the San Francisco Bay and along its shoreline.

On January 13, 2016, the Authority's Board unanimously voted to place a funding measure (Measure AA) on the June 7, 2016 ballot in the nine-county Bay Area to generate funds to protect and restore San Francisco Bay. Measure AA was approved by the voters with a 70% affirmative vote. The tax will be levied annually commencing July 1, 2017 and ending June 30, 2037.

The Authority is governed by a board that is appointed by the Association of Bay Area Governments (ABAG), yet is composed of members that are different from the Association's board.

The Association of Bay Area Governments (ABAG) and the Coastal Conservancy assist the Authority by providing administrative, accounting and clerical support. The Authority incurred \$225,711 for these services for the fiscal year ended June 30, 2017.

**Reporting Entity** – The accompanying basic financial statements present the financial activity of the Authority.

**B. Basis of Presentation**

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

The Statement of Net Position and the Statement of Activities display the overall financial activities of the Authority. The Statement of Net Position reports the difference between the Authority's total assets and total liabilities.

The Statement of Activities reports increases and decreases in the Authority's net position. It is also prepared on the full accrual basis, which means it includes all of the Authority's revenues and expenses, regardless of when cash changes hands.

**C. Basis of Accounting**

The Authority accounts for all transactions in one enterprise fund, which is a separate set of self-balancing accounts that comprise assets, liabilities, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

**SAN FRANCISCO BAY RESTORATION AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Revenue Recognition***

Revenue will primarily be comprised of special assessments from Measure AA secured through property taxes that will be recognized in the fiscal year in which the tax and assessment is levied.

***E. Fair Value Measurements***

Fair value is defined as 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. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

***F. Estimates***

The Authority's management will, as required, make a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). No estimates were required in preparation of the June 2017 financial statements.

***G. Statement of Cash Flows***

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

***A. Carrying Amount and Fair Value***

At June 30, 2017, cash and cash equivalents are comprised of \$48,499 of cash in bank which is valued using Level 1 of the fair value hierarchy.



**SAN FRANCISCO BAY RESTORATION AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

**B. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the Authority's cash on deposit. All of the Authority's deposits are insured by the Federal Depository Insurance Corporation (FDIC) as of June 30, 2017.

**NOTE 3 - LIABILITIES**

Accounts payable of \$596,581 at June 30, 2017 consists of \$370,870 due to Consolidated Printers for Measure AA ballot costs, \$187,014 due to the California State Coastal Conservancy for administrative support, and \$38,697 due to the Association of Bay Area Governments for administrative support during the fiscal year ended June 30, 2017.

Due to other agencies of \$1,108,262 is the total of advances received by the Authority for purposes of placing a Revenue Measure on the June 2016 ballot. The advances were authorized by separate memorandums of agreement signed in March and April 2016. The advances do not accrue interest and repayments are to be made from revenue generated by Measure AA revenue. The terms of the advances are listed in the following table.

Agency	Amount	Repayment
Santa Clara Valley Water District	\$831,196	Three equal installment payments due December 31, 2018, 2019 and 2020
Sonoma County Water Agency	\$138,533	Schedule of repayments to be mutually agreed upon
East Bay Regional Park District	\$138,533	Three equal installment payments due December 31, 2018, 2019 and 2020

**NOTE 4 - NET POSITION**

Net Position is the excess of a fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources.

At June 30, 2017, the Authority had a net position deficit of \$1,331,833. This net position deficit is primarily due to the Authority having insufficient funding to pay for current year Measure AA ballot expenses and consulting expenses. This deficit will be eliminated through Measure AA special assessment tax revenue that will be levied beginning July 1, 2017.

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## Appendix B

**SAN FRANCISCO BAY RESTORATION AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

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**SAN FRANCISCO BAY RESTORATION AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2017**

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## MEMORANDUM ON INTERNAL CONTROL

To the Honorable Members of the Board of Directors  
San Francisco Bay Restoration Authority  
San Francisco, California

In planning and performing our audit of the basic financial statements of the San Francisco Bay Restoration Authority (Authority) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads 'Maze & Associates' with a stylized flourish at the end.

Pleasant Hill, California  
January 22, 2018

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## REQUIRED COMMUNICATIONS

To the Honorable Members of the Board of Directors  
San Francisco Bay Restoration Authority  
San Francisco, California

We have audited the basic financial statements of the San Francisco Bay Restoration Authority (Authority) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

### Significant Audit Findings

#### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following Governmental Accounting Standards Board (GASB) pronouncements became effective and did not have a material effect on the financial statements.

- GASB 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 - *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*
- GASB 77 - *Tax Abatement Disclosures*
- GASB 80 - *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB 82 - *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

#### *Unusual Transactions, Controversial or Emerging Areas*

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***

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.

### ***Disclosures***

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

### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

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

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatement to report to the Board.

### ***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 a management representation letter dated January 22, 2018.

### ***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 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 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 Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and 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 required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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



Pleasant Hill, California  
January 22, 2018

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