MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

ANNUAL FINANCIAL AUDIT REPORT

JUNE 30, 2017

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

Midpeninsula Regional Open Space District
Santa Clara County

Table of Contents

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midpeninsula Regional Open Space District
Los Altos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major funds, and the aggregate remaining fund information for Midpeninsula Regional Open Space District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District'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 District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in

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financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Basis of Presentation

On July 1, 2016, the District separated the capital projects fund into two funds in order to account for resources restricted by the Measure AA General Obligation (GO) Bond from other sources. To separate the capital projects fund, the District recorded a prior period adjustment of $307,137 to account for projects reported in the capital projects fund which were related to other sources beyond the Measure AA GO Bond. See page 20 to review the impact on the governmental funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and other postemployment benefit information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

October 13, 2017
San Jose, California

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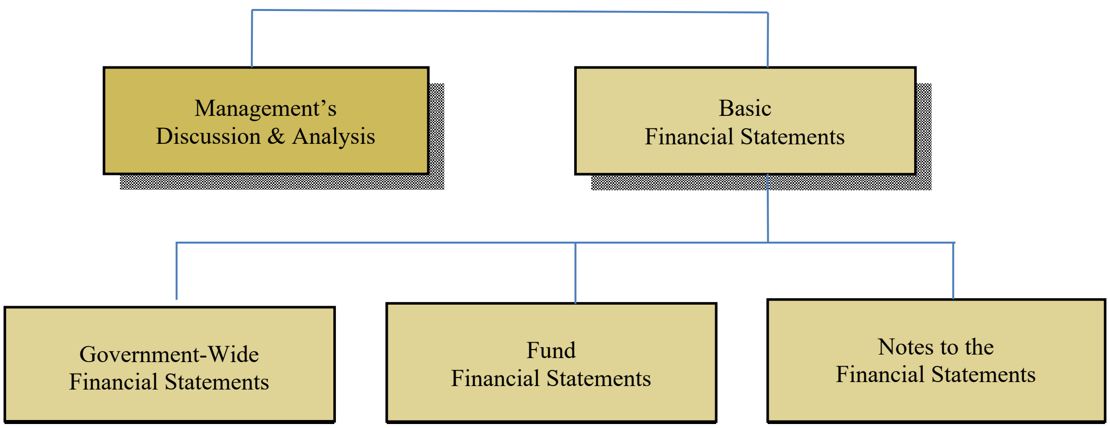
Management's Discussion and Analysis

INTRODUCTION

The purpose of the Management's Discussion and Analysis (MD&A) is to present a discussion and analysis of the District's financial performance during the year ended on June 30, 2017. During period ending June 30, 2016 in order to align with best practices of public agencies, the District's Board adopted Resolution 15-32 on July 22, 2015, changing the District's fiscal year end to June 30 from the prior March 31 and thereby extending the 2015-2016 fiscal year to fifteen months. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



OVERVIEW AND USE OF THE FINANCIAL STATEMENTS

This annual report consists of a series of basic financial statements and notes. The statements are organized so the reader can understand the District as an entire operating entity by providing an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities is comprised of the government-wide financial statements and provides information about the activities of the District as a whole, presenting both an aggregate view of the District's finances as well as a longer-term view of those finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what remains for future spending. The Basic Financial Statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financial statements, provide more detailed data and provide explanations to some of the information in the statements. The required supplementary information section provides further explanations and additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2016-2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, whether the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities which reflect the District's programs and services. The District does not have any business type activities.

FINANCIAL HIGHLIGHTS

District tax revenue and other metrics will not be comparable to the prior period due to the fifteen-month period of the prior period financial statements. As the overall economy continued to grow throughout the Silicon Valley, the District witnessed further strong growth in the assessed valuation of both secured and unsecured property within its boundaries. The 2017-18 assessed valuation reports released in June 2017 showed District-wide assessed values increasing by 8.7% (8.4% in Santa Clara and 9.5% in San Mateo). The District received 66% of its tax revenue from Santa Clara County and 34% from San Mateo County.

Other financial highlights included:

- Tax revenue related to the GO bonds amounted to $1.57 million
- Program revenues decreased $0.7 million due to the 15 month period of the prior year
- The District issued $57.4 million in Refunding Bonds to refund the 2007 Series A Refunding Bonds and the 2011 Lease Revenue Bonds.
- Purchased $1.8 million land and associated structures funded through Measure AA GO bond proceeds. In addition, the District spent a further $12.5 million of bond proceeds on the road and summit restoration for the grand opening of the Mt. Umunhum Summit to the general public which occurred on September 18, 2017.

District expenditures were over the annual budget for the Measure AA Capital Projects Fund and Debt Service Fund. The Measure AA Capital Projects Fund was over budget by $1.1 million and the Debt Service Fund was over budget by $1.3 million. However, it should be noted that the General Fund was under budget by $2.9 million. In fiscal year 2017, the District separated the budget to account for expenditures budgeted for each fund. As in most recent years, a large majority of the budget variance was due to delays and deferrals of capital projects; the District spent 97% of its General Fund budget for salaries and benefits (including a $1 million pre-payment to CalPERS), and 69% of the budget for services and supplies.

The assets of the District exceeded liabilities at the close of the 2017 fiscal year by $337 million. Of this total net position, $308.6 million, or 92%, was the District's net investment in capital assets (capital assets net of related debt).

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's fund financial statements begins on page 16. Fund financial reports provide detailed information about the District's major funds. The District uses one operating fund, the General Fund, to account for a multitude of financial transactions, two capital project funds to account for capital projects, and one debt service fund to account for debt service payments.

Governmental Funds

The General Fund is a governmental fund type and is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as compared to last period:

Table 1 - Summary of Statement of Net Position

	2017	2016	Change	Percentage Change
Assets				
Current Assets	$ 77,668,537	$ 83,335,071	$ (5,666,534)	-6.80%
Noncurrent Assets	448,446,221	430,311,829	18,134,392	4.21%
Total Assets	$ 526,114,758	$ 513,646,900	$ 12,467,858	2.43%
Total Deferred Outflows of Resources	$ 15,636,983	$ 9,274,127	$ 6,362,856	68.61%
Liabilities				
Current Liabilities	$ 8,787,223	$ 4,496,132	$ 4,291,091	95.44%
Noncurrent Liabilities	193,890,182	193,612,099	278,083	0.14%
Total Liabilities	$ 202,677,405	$ 198,108,231	$ 4,569,174	2.31%
Total Deferred Inflows of Resources	$ 2,071,424	$ 3,352,133	$ (1,280,709)	-38.21%
Net Position				
Net Investment in Capital Assets	$ 308,600,974	$ 276,394,511	$ 32,206,463	11.65%
Restricted	4,570,997	5,786,321	(1,215,324)	-21.00%
Unrestricted	23,830,941	39,279,831	(15,448,890)	-39.33%
Total Net Position	$ 337,002,912	$ 321,460,663	$ 15,542,249	4.83%

Total net position increased by $15.5 million, as revenues exceeded expenditures. Noncurrent assets increased due mostly to $18.1 million of capital expenditures. Current liabilities increased $4.2 million due to an increase in accounts payable.

Table 2 shows the changes in net position for 2017 as compared to period 2016.

Table 2 - Summary of Changes in Net Position				
	2017	2016	Change	Percentage Change
Revenues				
Program revenues	$ 2,130,301	$ 2,829,519	$ (699,218)	-24.71%
General revenues:				
Property taxes	43,860,976	44,980,497	(1,119,521)	-2.49%
Investment earnings	462,618	647,839	(185,221)	-28.59%
Miscellaneous	783,977	810,250	(26,273)	-3.24%
Total Revenues	47,237,872	49,268,105	(2,030,233)	-4.12%
Program Expenses				
Land preservation	21,783,483	26,079,919	(4,296,436)	-16.47%
Interest	8,327,042	9,751,674	(1,424,632)	-14.61%
Depreciation	1,585,098	1,311,272	273,826	20.88%
Total Expenses	31,695,623	37,142,865	(5,447,242)	-14.67%
Change in Net Position	15,542,249	12,125,240	3,417,009	28.18%
Adjustment to Beginning Net Position	-	(11,789,641)	11,789,641	100.00%
Beginning Net Position	321,460,663	321,125,064	335,599	0.10%
Ending Net Position	$ 337,002,912	$ 321,460,663	$ 15,542,249	4.83%

Program revenues increased because the District had a decrease in land preservation and interest expenses in fiscal year 2017.

THE DISTRICT'S FUND BALANCE

Table 3 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 3 - Summary of Fund Balance (All Governmental Funds)						
	2017					
	General Fund	Measure AA Capital Projects Fund	Debt Service Fund	Total	2016	Percentage Change
Nonspendable for prepaid expenditure	$ 55,093	$ -	$ -	$ 55,093	$ -	100%
Restricted for debt service	-	-	2,193,934	2,193,934	3,116,266	-30%
Restricted for Measure AA Projects	-	7,344,797	-	7,344,797	23,778,047	-69%
Restricted for Hawthorne maintenance	1,971,040	-	-	1,971,040	1,971,040	0%
Committed for infrastructure	30,000,000	-	-	30,000,000	30,000,000	0%
Committed for equipment replacement	2,400,000	-	-	2,400,000	2,400,000	0%
Committed for natural disasters	3,000,000	-	-	3,000,000	3,000,000	0%
Unassigned	23,872,450	-	-	23,872,450	16,857,586	42%
Total Fund Balance	$61,298,583	$ 7,344,797	$2,193,934	$70,837,314	$81,122,939	-13%

Following the completion of its new thirty-year strategic plan, the Board of Directors committed a majority of the unassigned fund balance during fiscal year 2017 to reserves for infrastructure, equipment replacement and natural disasters. See page 28 of the audit report for a description of each commitment.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of 2017, the District revised its General Fund budget, which resulted in an increase in budgeted expenditures of $122 thousand from the original to final budget. The final budgeted revenue estimate was $45.6 million. A summary of the original and final budget is presented below:

Table 4 - Summary of Original to Final Budgets

	Original Budget	Final Budget	Variance	Percent Variance
Revenues				
Property taxes	$ 42,785,000	$ 42,785,000	$ -	0.00%
Grant revenues	841,600	841,600	-	0.00%
Property management	1,209,000	1,209,000	-	0.00%
Investment earnings	450,000	450,000	-	0.00%
Other revenues	332,440	332,440	-	0.00%
Total Revenues	45,618,040	45,618,040	-	0.00%
Expenditures				
Salaries and employee benefits	19,174,332	19,333,953	159,621	0.83%
Services and supplies	8,168,018	8,130,731	(37,287)	-0.46%
Total Expenses	27,342,350	27,464,684	122,334	0.45%
Net Change in Fund Balance	$ 18,275,690	$ 18,153,356	$ (122,334)	-0.67%

CAPITAL ASSETS

Table 4 shows 2017 capital asset balances as compared to 2016.

Table 5 - Summary of Capital Assets Net of Depreciation

	2017	2016	Change	Percentage Change
Land	$ 407,986,151	$ 403,773,365	$ 4,212,786	1.04%
Construction-in-Progress	19,020,245	7,223,594	11,796,651	163.31%
Structure and Improvements	6,715,297	7,115,767	(400,470)	-5.63%
Infrastructure	10,474,326	7,551,992	2,922,334	38.70%
Equipment	804,552	945,829	(141,277)	-14.94%
Vehicles	2,133,268	1,844,343	288,925	15.67%
Total Capital Assets - Net	$ 447,133,839	$ 428,454,890	$ 18,678,949	4.36%

LONG TERM LIABILITIES

Table 5 summarizes the changes in long-term liabilities from 2017 to 2016.

Table 6 - Summary of Long-term Liabilities

	2017	2016	Change	Percentage Change
Promissory Notes	$ 65,095,264	$ 65,176,664	$ (81,400)	-0.12%
Bonds	116,855,465	115,198,421	1,657,044	1.44%
Net Pension Obliugation	10,121,906	11,420,125	(1,298,219)	-11.37%
Compensated Absences	1,817,547	1,816,889	658	0.04%
Total Long-term Liabilities	$ 193,890,182	$ 193,612,099	$ 278,083	0.14%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the District's budget for year 2017-2018 on June 14, 2017. This budget assumes $50.6 million in revenues and a growth in general fund property tax income of 7% over the prior period. This budget funds $19.2 million of capital spending, of which $12.6 million is expected to qualify for reimbursement from Measure AA GO bond funds. Operating expenditures and general fund and debt service are budgeted at $30.4 million and $11.7 million, respectively. If all revenues, expenditure (including debt service) occur as budgeted, the District's overall cash balances would increase by $2 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Office, Midpeninsula Regional Open Space District, 330 Distel Circle, Los Altos, California 94022.

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Basic Financial Statements

Midpeninsula Regional Open Space District

Statement of Net Position

June 30, 2017

Assets		
Current assets:		
Cash and investments	$	77,020,898
Accounts receivable:		
Deposits		587,047
Interest		5,278
Due from other governments:		
Taxes receivable		221
Other current assets		55,093
Total current assets		77,668,537
Noncurrent assets:		
Notes receivable		134,317
Unamortized issuance costs		772,042
Net OPEB asset		406,023
Non-depreciable capital assets		427,006,396
Capital assets, net of depreciation		20,127,443
Total noncurrent assets		448,446,221
Total Assets	$	526,114,758
Deferred Outflows of Resources		
Pension change to adjustments	$	8,659,986
Deferred loss on early retirement of long-term debt		6,976,997
Total Deferred Outflows of Resources	$	15,636,983
Liabilities		
Current liabilities:		
Accounts payable	$	5,220,064
Deposits payable		104,932
Payroll and other liabilities		1,506,227
Accrued interest		1,956,000
Total current liabilities		8,787,223
Noncurrent liabilities:		
Due within one year		7,423,614
Due after one year		186,466,568
Total noncurrent liabilities		193,890,182
Total Liabilities	$	202,677,405
Deferred Inflows of Resources		
Pension adjustments	$	2,071,424
Net Position		
Net investment in capital assets	$	308,600,974
Restricted for:		
Debt service		2,193,934
Hawthorne maintenance		1,971,040
OPEB		406,023
Total restricted		4,570,997
Unrestricted		23,830,941
Total Net Position	$	337,002,912

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Statement of Activities

For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	
Governmental activities:				
Land preservation	$ 21,783,483	$ 1,479,462	$ 650,839	$ (19,653,182)
Interest and fiscal charges	8,327,042	-	-	(8,327,042)
Depreciation	1,585,098	-	-	(1,585,098)
Total governmental activities	$ 31,695,623	$ 1,479,462	$ 650,839	(29,565,322)
General revenues:				
Property taxes				43,860,976
Investment earnings				462,618
Other revenues				783,977
Total general revenues and special items				45,107,571
Change in net position				15,542,249
Net position beginning				321,460,663
Net position ending				$ 337,002,912

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and investments	$ 59,483,747	$ 15,337,024	$ -	$ 2,200,127	$ 77,020,898
Receivables:					
Deposits	587,047	-	-	-	587,047
Interest	5,278	-	-	-	5,278
Due from other governments:					
Taxes receivable	221	-	-	-	221
Other current assets	55,093	-	-	-	55,093
Due from other funds	4,278,820	330,196	674,707	-	5,283,723
Notes receivable	134,317	-	-	-	134,317
Total Assets	$ 64,544,523	$ 15,667,220	$ 674,707	$ 2,200,127	$ 83,086,577
Liabilities					
Liabilities:					
Accounts payable	$ 754,058	$ 4,102,458	$ 363,548	$ -	$ 5,220,064
Deposits payable	104,932	-	-	-	104,932
Due to other funds	746,406	4,219,965	311,159	6,193	5,283,723
Payroll and other liabilities	1,506,227	-	-	-	1,506,227
Total Liabilities	3,111,623	8,322,423	674,707	6,193	12,114,946
Deferred Inflows Of Resources					
Unavailable revenues	134,317	-	-	-	134,317
Fund Balance					
Nonspendable:					
Prepaid expenditures	55,093	-	-	-	55,093
Restricted for:					
Debt service	-	-	-	2,193,934	2,193,934
Measure AA capital projects	-	7,344,797	-	-	7,344,797
Hawthorne maintenance	1,971,040	-	-	-	1,971,040
Committed for:					
Infrastructure	30,000,000	-	-	-	30,000,000
Equipment replacement	2,400,000	-	-	-	2,400,000
Natural disasters	3,000,000	-	-	-	3,000,000
Unassigned	23,872,450	-	-	-	23,872,450
Total Fund Balance	61,298,583	7,344,797	-	2,193,934	70,837,314
Total Liabilities and Fund Balance	$ 64,544,523	$ 15,667,220	$ 674,707	$ 2,200,127	$ 83,086,577

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2017

Total fund balance - governmental funds		$ 70,837,314
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 462,547,391	
Accumulated depreciation	(15,413,552)	447,133,839
Principal on notes receivables are recorded as unearned revenue in the funds, which upon collection is a current financial resource. In the government-wide financial statements, repayment of the principal amount does not generate revenue in the statement of activities; therefore, unearned revenue is not recorded.		134,317
The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position.		6,588,562
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(1,956,000)
Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:		
Premium	$ 20,475,002	
Issuance cost	(772,042)	(19,702,960)
Deferred loss on early retirement of long-term debt is recorded in the Statement of Net Position as a deferred outflow of resources and amortized on a straight line basis over the original life of the defeased bond.		6,976,997
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
Bonds	$ 102,715,000	
Net pension obligations	10,121,906	
Promissory notes	58,760,727	
Compensated absences	1,817,547	
Annual net OPEB obligation	(406,023)	(173,009,157)
Total net position - governmental activities		$ 337,002,912

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	$ 42,281,739	$ -	$ -	$ 1,579,237	$ 43,860,976
Grant income	650,839	-	-	-	650,839
Property management	1,479,462	-	-	-	1,479,462
Investment earnings	313,397	163,483	-	2,846	479,726
Other revenues	608,558	-	-	-	608,558
Total revenues	45,333,995	163,483	-	1,582,083	47,079,561
Expenditures:					
Current:					
Land preservation:					
Salaries and employee benefits	18,890,179	320,482	-	-	19,210,661
Services and supplies	5,612,468	36,837	946,845	-	6,596,150
Capital outlay	-	16,529,694	3,431,732	-	19,961,426
Debt service:					
Principal	-	-	-	5,193,104	5,193,104
Interest	-	-	-	6,403,845	6,403,845
Issuance cost	-	-	-	786,497	786,497
Total expenditures	24,502,647	16,887,013	4,378,577	12,383,446	58,151,683
Excess (deficiency) of revenues over (under) expenditures	20,831,348	(16,723,530)	(4,378,577)	(10,801,363)	(11,072,122)
Other financing sources (uses):					
Transfers in	-	1,030,287	4,685,714	10,122,821	15,838,822
Transfers out	(13,761,391)	(1,047,144)	-	(1,030,287)	(15,838,822)
Payment to refunded bond escrow agent	-	-	-	(68,187,161)	(68,187,161)
Proceeds of refunding bond	-	-	-	57,410,000	57,410,000
Premium from bond issuances	-	-	-	11,563,658	11,563,658
Total other financing sources (uses)	(13,761,391)	(16,857)	4,685,714	9,879,031	786,497
Net changes in fund balance	7,069,957	(16,740,387)	307,137	(922,332)	(10,285,625)
Fund balance beginning	54,228,626	23,778,047	-	3,116,266	81,122,939
Prior period adjustment - see note 12	-	307,137	(307,137)	-	-
Fund balance beginning - as adjusted	54,228,626	24,085,184	(307,137)	3,116,266	81,122,939
Fund balance ending	$ 61,298,583	$ 7,344,797	$ -	$ 2,193,934	$ 70,837,314

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balance - governmental funds		$(10,285,625)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures capitalized as capital assets	$ 20,264,047	
Depreciation expense	(1,585,098)	18,678,949
Repayment of notes receivable is reported as revenue in the governmental funds because financial resources were received and available during the fiscal year. In the statement of net position, the payment reduces the principal balance of notes receivable and does not generate revenue in the statement of activities.		(17,108)
Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements.		(1,125,509)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Proceeds from the issuance of general obligation bonds	$ (57,410,000)	
Bond premium capitalized	(11,563,658)	
Deferred loss on early retirement of refunded bonds	5,032,161	
Advance refunding of bonds	63,155,000	
Repayment of bond principal	4,130,000	
Repayment of promissory notes princpal	1,063,104	4,406,607
Deferred loss on early retirement of long-term debt is amortized over the life of the debt in the statement of activities. Amortization expense is not reported in the governmental funds.		(339,192)
Prepaid issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:		
Amortization of issuance costs and premiums - net		(59,038)
In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used.		(658)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		4,248,815
In the Statement of Activities, the net postemployment benefit asset is the amount by which the contributions toward the OPEB plan were more than the annual required contribution as actuarially determined. The net postemployment benefit is not recorded in the governmental fund statements. The change in the net OPEB was recorded in the Statement of Activities in the amount of:		(292,992)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		328,000
Change in net position of governmental activities		$ 15,542,249

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. General

The Midpeninsula Regional Open Space District (the District) was formed in 1972 to acquire and preserve public open space land in northern and western portions of Santa Clara County. In June 1976, the southern and eastern portions of San Mateo County were annexed to the District. The District annexed a small portion of the northern tip of Santa Cruz County in 1992. In September 2004, the District completed the Coastside Protection Program, which extended the District boundaries to the Pacific Ocean in San Mateo County, from the southern borders of Pacifica to the San Mateo/Santa Cruz County line.

B. Accounting Principles

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Reporting Entity

As required by generally accepted accounting principles, these basic financial statements present the Midpeninsula Regional Open Space District and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Blended Component Unit. The District and the County of Santa Clara entered into a joint exercise of powers agreement dated May 1, 1996, creating the Midpeninsula Regional Open Space District Financing Authority (the Authority), pursuant to the California Government Code. The District is financially accountable for the Authority, as it appoints a voting majority of the governing board; is able to impose its will in the Authority; and the Authority provides specific financial benefits to, and imposes specific financial burdens on, the District. The Authority was formed for the sole purpose of providing financing assistance to the District to fund the acquisition of land to preserve and use as open space. As such, the Authority is an integral part of the District, and accordingly, all of the Authority's activity is blended within the accompanying debt service fund.

D. Reporting Period

In order to improve the transparency over reporting financial transactions and overall operations, during the fiscal period ending June 30, 2016 the District changed its reporting period from April 1st through March 31st to July 1st through June 30th. The financial statements and the related note disclosures included in the prior year's report covers the fifteen month period ended June 30, 2016. The information covered in this financial statement covers the year ending June 30, 2017, thus information may not be comparable between the financial statements and note disclosures included in each of these reports.

E. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal period in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal period. For the District, "available" means collectible within the current period or within 90 days after period-end.

Non-exchange transactions, in which the District receives value ***without*** directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal period for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are to be used or the fiscal period when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pensions from the implementation of GASB Statement No. 68.

In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Fund Accounting

The accounts of the District are organized into two funds with a separate set of self-balancing accounts that comprise of the District's assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures.
Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported all of its funds as major governmental funds in the accompanying financial statements:

General Fund. The General Fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this fund are property taxes, grant revenues and interest income. Expenditures are made for land preservation and other operating expenditures.

Measure AA Capital Projects Fund. The Measure AA Capital Projects Fund is used to account for resources from bond proceeds and expenditures for capital projects related to the Measure AA GO Bond.

GF Capital Projects Fund. GF Capital Projects Fund is used to account for expenditures for capital projects not related to any other capital projects funds.

Debt Service Fund. The Debt Service Fund is used to account for accumulation of resources for, and the payment of long-term debt principal, interest and related costs. Resources are provided by General Fund transfers and interest income on unspent funds.

H. Budgets and Budgetary Accounting

The District's Board of Directors adopts an annual operating budget for the District by major fund, on or before June 30, for the ensuing fiscal period. The Board of Directors may amend the budget by resolution during the fiscal period. The legal level of control, the level at which expenditures may not legally exceed the budget, is at the category level.

I. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash deposits are considered to be cash on hand and cash in banks. Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

2. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

The following is a summary of the definition of fair value:

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. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Prepaid Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Deposits Receivable

During the fiscal year ending June 30, 2017, the District, determined that a prior deposit receivable was no longer collectable. The original deposit receivable was $1,045,000, some of which was returned in a prior year. The remaining balance of $691,454 was written off in current year.

5. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $1 for land, $25,000 for equipment, fixtures and vehicles, $50,000 for infrastructure, improvements, buildings and structures.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Assets	**Years**
Structures/Improvements	50
Public Access Infrastructure	20 - 50
Equipment/Fixtures	5 - 20
Vehicles	5
Software	5 - 10

6. Compensated Absences

In accordance with the District's memorandum of understanding with various employee groups, employees accrue fifteen days of vacation during the first nine years of service, twenty days between service years 10 and fourteen, twenty-one days between service years fifteen and nineteen, twenty-three days between service years twenty and twenty-four, and twenty-five days after twenty-five years of service. An employee may accumulate vacation time earned to a maximum of two times the amount of his/her annual vacation accrual.

Full-time employees accrue twelve days of sick leave: annually from the date of employment. An employee may accumulate sick leave time earned on an unlimited basis. Upon resignation, separation from service, or retirement from District employment, workers in good standing with ten or more years of District employment shall receive a cash payment of the equivalent cash value of accrued sick leave as follows:

Years of Employment	Percentage of equivalent cash value of accrued sick leave
15-20	20%
16-20	25%
21 or more	30%

An employee hired before June 30, 2006, who retires from the District shall receive a cash payment of the percentage of equivalent cash value or accrued sick leave based on years of employment as described above, and apply the remainder of the equivalent cash value toward his/her cost of retiree medical plan premiums and/or other qualified medical expenses. Upon retirement, the amount qualified and designated for retiree medical costs shall be deposited in the Retiree Health Savings (RHS) plan, set up by the District. The cost for maintaining the retiree's RHS account and the annual fee for the reimbursement process of qualified medical expenses will be paid for by the retiree.

An employee hired on or after July 1, 2006, who retires from the District may elect to receive only a cash payment of the percentage of equivalent cash value of accrued sick leave based on years of employment as described above.
In all cases the equivalent cash value of accrued sick leave will be based on current rate of pay as of the date of separation from District employment.
The District accrues for all salary-related items in the government-wide statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination.

7. Long-Term/Noncurrent Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Debt Discount and Issuance Costs

Debt discounts, premiums, and prepaid issuance costs are capitalized as an offset to long-term debt and amortized using the straight line method over the life of the related debt. Issuance costs for the District's tax-exempt commercial paper short-term borrowings are expensed as incurred.

9. Fund Balance Classifications

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at period-end. Committed fund balances were imposed by the District’s board of directors as follows:

    - Infrastructure: $30 million; projected minimum requirement for expansion of field and office facilities over the next five years.

- Equipment Replacement: $2.4 million; projected requirement for equipment and vehicle replacement based on the amount of accumulated depreciation recorded on capital assets in service.

- Natural Disasters: $3.0 million; projected emergency expenditures required to respond quickly to a major fire, earthquake or flood.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

10. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unrestricted net position reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted contributions whose donor-imposed restrictions were met during the fiscal period. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

11. Property Taxes

The District receives property tax revenue from Santa Clara and San Mateo Counties (the Counties). The Counties are responsible for assessing, collecting and distributing property taxes in accordance with state law. Secured property taxes are recorded as revenue when apportioned, in the fiscal period of the levy. The counties apportion secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. Taxes are levied annually on July 1st, and one-half are due by November 1st and one-half by February 1st. Taxes are delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied on a pro-rata basis when changes in assessed valuation occur due to the completion of construction or sales transactions. Liens on real property are established on January 15th for the ensuing fiscal period.

On June 30, 1993, the Board of Supervisors adopted the "Teeter" method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the Counties advances cash to each taxing jurisdiction equal to its current year delinquent taxes. Once the delinquent taxes are collected, the revenue from penalties and interest remains with each County and is used to pay the interest cost of borrowing the cash used for the advances.

12. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J. Implemented New Accounting Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosures* - Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (earlier application was encouraged and was applied at the District). This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the District under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The implementation of this statement did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* - The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The implementation of this statement did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. 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 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 81, Irrevocable Split-Interest Agreements - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of GASB 82 for selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 84, *Fiduciary Activities* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. The District does not believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes deposits as of June 30, 2017:

Cash and Investments	Cash and Cash Equivalents Available for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	$ 212,857	$ 45,000	$ 257,857
Petty Cash	1,500	-	1,500
Total Cash Deposits	214,357	45,000	259,357
Investments:			
California Local Agency Investment Fund	360,549	-	360,549
CalTRUST	-	1,535,871	1,535,871
Brokerage Accounts/Cash with Fiscal Agents	17,070,055	15,965,865	33,035,920
Santa Clara County Pool	40,257,915	1,571,286	41,829,201
Total Investments	57,688,519	19,073,022	76,761,541
Total Cash and Investments	$ 57,902,876	$ 19,118,022	$ 77,020,898

Cash in Banks

Cash balances in banks are insured up to $250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with various banks. As of June 30, 2017, the District's bank balances exceeded FDIC coverage by $940,047.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following investments with recurring fair value measurements as of June 30, 2017:

				Maturities				
Investment Type	Rating	Fair Value	Input Level	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	Concen- trations
Money Market Accounts	n/a	$ 36,973	n/a	$ 36,973	$ -	$ -	$ -	0.05%
Mutual Funds	n/a	2,935,216	Level 2	2,935,216	-	-	-	3.82%
Municipal Bonds	AA+/A-	7,194,638	Level 2	357,923	3,483,177	2,073,272	1,280,266	9.37%
Corp/Gov Bonds	AAA/A-	20,628,037	Level 1	13,331,164	6,698,535	598,338	-	26.87%
LAIF	n/a	360,167	Level 2	360,167	-	-	-	0.47%
CalTrust	A+f	1,535,871	Level 2	-	-	1,535,871	-	2.00%
Santa Clara County Pool	n/a	41,829,201	Level 2	20,523,034	7,315,449	13,990,718	-	54.49%
U.S. Obligations	AA+	2,241,056	Level 1	2,241,056	-	-	-	2.92%
Total Investments		$ 76,761,159		$ 39,785,533	$ 17,497,161	$ 18,198,199	$ 1,280,266	100.00%

Cash in Santa Clara County Treasury

Santa Clara County is a fiscal agent of the District. The fair value of the District's investment in the county pool is reported at amounts based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized costs basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average maturity date of less than one year.

All cash and investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average cash and investment balances of the various funds of the County.

California Local Agency Investment Fund

The District is a participant in the Local Agency investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments had an average maturity date of less than one year.

Investment Trust of California

The District is a participant in the Investment Trust of California (CalTRUST) which is a California joint powers authority that has been established by its members pursuant to an agreement. The California Government Code provides that Public Agencies may purchase shares of beneficial interest issues by a joint powers authority, such as CalTRUST, organized pursuant to the Section 6500 of the Act. The District reports its investment in CalTRUST at the fair value amount provided by CalTRUST. The District participates in the Medium-Term Fund with CalTRUST. The balance in this Medium-Term Fund is available for withdrawal once a week (on Wednesdays), and is based on the net asset value per share on the Wednesday of each week. Included in CalTRUST's investment portfolio for the Medium-Term Fund are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2017, these investments had an average maturity date of 1 to 3 years.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are used if the District fails to meet its obligations under these debt issues.

Restricted for Debt Service

As of June 30, 2017, the District had $628,841 held by Zions bank as trustee, pledged to the payment or security of its outstanding bond issues. The District also had money held by the Bank of New York during the period (zero balance at period-end) which was pledged to the payment or security of its outstanding bonds. All transactions associated with debt service were administered by the Bank.

Cash Restricted for Hawthorne Property Maintenance

On November 10, 2011, the District received the gift of the 79 acre Hawthorne property, in Portola Valley, California, and an endowment of $2,018,445 to manage the property in perpetuity. The cash balance restricted for this purpose at June 30, 2017 was $1,535,871.

Policies and Practices

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Medium Term Notes	5 years	30%	No Limit
Money Market and Mutual Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	No Limit	No Limit
Federal Agency Securities	5 years	No Limit	No Limit
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Reverse Repurchase Agreements	92 days	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	$40 million per account	No Limit

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Santa Clara County investment pool and LAIF, which had fair values of approximately \$6.7 billion and \$75.9 billion, respectively as of June 30, 2017, and diversifying its investments, as noted above, through the utilization of brokers.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2017 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. See the schedule above for a summary of the District's ratings by investment type.

c) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

d) Concentration of Credit Risk

The District was not exposed to concentration of credit risk because it had no investments in any one issuer that exceeded 5% of its total investment portfolio.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Interfund transactions are reported as loans or transfers. The District utilizes interfund transactions to account for funding received by the General Fund which is then distributed to the other funds for special uses, such as payment of debt or capital project and to supplement other funding sources. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation.

The following interfund loans were outstanding at fiscal year end June 30, 2017:

Fund	Due from Other Funds	Due to Other Funds
General Fund	$ 4,278,820	$ 746,406
Measure AA Capital Projects Fund	330,196	4,219,965
GF Capital Projects Fund	674,707	311,159
Debt Service Fund	-	6,193
Total	$ 5,283,723	$ 5,283,723

At June 30, 2017, interfund transfers consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	$ -	$ 13,761,391
Measure AA Capital Projects Fund	1,030,287	1,047,144
GF Capital Projects Fund	4,685,714	-
Debt Service Fund	10,122,821	1,030,287
Total	$ 15,838,822	$ 15,838,822

NOTE 4 - NOTES RECEIVABLE

On December 17, 1997, the District sold the title to and possession of a 50-year fee determinable estate 10-acre parcel near the Skyline Ridge Open Space Preserve. The District financed the purchase in the amount of $288,800 over 25 years at a rate of 10% per annum. Monthly principal and interest payments of $2,634 are due on the 1st of each month and late if not paid by the 10th, with the final payment scheduled December 1, 2022. The outstanding balance at June 30, 2017 was $134,317.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the period ended June 30, 2017 is shown below:

Capital Assets	Balance June 30, 2016	Additions	Deletions/ Adjustments	Balance June 30, 2017
Non-depreciable:				
Land	$ 403,773,365	$ 4,212,786	$ -	$ 407,986,151
Construction in Progress	7,223,594	15,248,007	(3,451,356)	19,020,245
Total Non-Depreciable	410,996,959	19,460,793	(3,451,356)	427,006,396
Depreciable:				
Structure and Improvements	15,604,717	-	-	15,604,717
Infrastructure	9,981,800	3,451,355	-	13,433,155
Equipment	1,993,815	-	-	1,993,815
Vehicles	3,706,053	803,255	-	4,509,308
Total Depreciable	31,286,385	4,254,610	-	35,540,995
Less Accumulated Depreciation for:				
Structure and Improvements	(8,488,950)	(400,470)	-	(8,889,420)
Infrastructure	(2,429,808)	(529,021)	-	(2,958,829)
Equipment	(1,047,986)	(141,277)	-	(1,189,263)
Vehicles	(1,861,710)	(514,330)	-	(2,376,040)
Total Accumulated Depreciation	(13,828,454)	(1,585,098)	-	(15,413,552)
Total Depreciable Capital Assets - Net	17,457,931	2,669,512	-	20,127,443
Total Capital Assets - Net	$ 428,454,890	$ 22,130,305	$ (3,451,356)	$ 447,133,839

NOTE 6 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the period ended June 30, 2017:

Long-term Obligations	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Promissory Notes:					
Current Interest	$ 39,234,170	$ -	$ 1,063,104	$ 38,171,066	$ 1,126,067
Capital Appreciation	15,474,708	-	-	15,474,708	-
Accreted interest	3,989,444	1,125,509	-	5,114,953	-
Unamortized Bond Premium	6,478,342	-	143,805	6,334,537	-
Subtotal Promissory Notes	65,176,664	1,125,509	1,206,909	65,095,264	1,126,067
Bonds:					
Current Interest	112,590,000	57,410,000	67,285,000	102,715,000	4,480,000
Unamortized Bond Premium	2,608,421	11,563,658	31,614	14,140,465	-
Subtotal Bonds	115,198,421	68,973,658	67,316,614	116,855,465	4,480,000
Net Pension Obligation	11,420,125	-	1,298,219	10,121,906	-
Compensated Absences	1,816,889	1,182,992	1,182,334	1,817,547	1,817,547
Total Long-term Obligations	$ 193,612,099	$ 71,282,159	$ 71,004,076	$ 193,890,182	$ 7,423,614

Promissory Notes

Daloia Land Purchase Contract Promissory Note

During the fiscal year ending 2003 the District entered into a land purchase contract promissory note in the amount of $240,000. The promissory note bears interest at a fixed rate of 6.25% and matured October 10, 2017.

Hunt Living Trust Promissory Note

On April 1, 2003, the District entered into a $1,500,000 promissory note with the Hunt Living Trust as part of a lease and management agreement. The note is due in full on April 1, 2023 and bears interest at 5.5% semi-annually through April 1, 2013 and 5.0% per annum until the maturity, or prior redemption, of the note.

2012 Refunding Promissory Notes

On January 19, 2012, the District advance refunded $34,652,643 in 1999 lease revenue bonds by issuing $31,264,707 in promissory notes. The 2012 notes bear interest rates ranging from 2.00% to 6.04%. The notes are a blend of current interest and capital appreciation notes maturing through 2042. The net proceeds of $33,295,663 (after payment of $278,683 in underwriting fees, insurance, and other issuance costs and a premium of $2,309,638) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

2015 Refunding Promissory Notes

On January 22, 2015, the District advance refunded $29,986,962 in 2004 Revenue Bonds by issuing $28,578,500 in promissory notes. The 2015 notes bear interest rates ranging from 2.00% to 5.00%. The notes are current interest notes maturing through 2035. The net proceeds of $28,325,491 (after payment of $253,009 in underwriting fees, insurance, and other issuance costs and a premium of $4,948,500) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Revenue Bonds. As a result, the 2004 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

Revenue and General Obligation Bonds

2007 Series A Revenue Refunding Bonds and Series B-T Taxable Revenue Refunding Bonds

On December 15, 2006 the District issued six series of promissory notes (2007 District Notes) for the purpose of refunding its 1996 Project Lease, 1996 Promissory Notes, 1999 Project Lease, and 1999 Promissory Notes. On December 15, 2006 the Authority, on behalf of the District, issued $52,415,000 of 2007 Series A Revenue Refunding Bonds and $6,785,000 of 2007 Series B-T Taxable Revenue Refunding Bonds for the purpose of defeasing the aggregate purchase price of the 2007 District Notes. The Series A bonds bear interest from 4.0% to 5.0% and Series B-T bonds bear interest at 5.15%. Interest for both series A and B-T are due semi-annually on March 1 and

September 1. Principal payments for the Series A bonds began September, 2012 and are due annually, thereafter. Principal payments for the Series B-T bonds are due annually on September 1. This Bond was fully defeased during fiscal year 2017 with issuance of the 2016 Refunding Series A and B Green Bonds as noted below.

2011 Revenue Bonds

On May 19, 2011, the Authority, on behalf of the District, issued $20,500,000 of 2011 Revenue Bonds for the purpose of acquiring land to preserve and use as open space and pay bond issue and related costs. The Bonds are not general obligations. Each period, the District will appropriate revenues-mainly limited properly tax collections that Santa Clara County and San Mateo County allocate to the District – to pay its obligations under a Lease Agreement for use and occupancy of District land in addition to other District debt and lease obligations unrelated to this financing. The Current Interest Bonds bear interest at 2.0% to 6.0% and are due semi-annually on March 1 and September 1. Principal payments on the Current Interest Bonds are due annually September 1. This Bond was partially defeased during fiscal year 2017 with issuance of the 2016 Refunding Series A and B Green Bonds as noted below.

2015A and 2015B General Obligation Bonds

On July 29, 2015, the District issued $40,000,000 of 2015A general obligation bonds and $5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of $2,559,224 with an underwriter's discount of $107,599 and issuance costs of $170,000.

2016A and 2016B Refunding Green Bonds

On September 8, 2016 the District issued $54,490,000 of 2016 Refunding Series A and $2,920,000 2016 Refunding Series B Green Bonds for the purpose of refunding its outstanding obligations under the 2007 Series A Revenue Refunding Bonds and prepay a portion of its obligations under the 2011 Lease Revenue Bonds. As a result the 2007 Series A Revenue Refunding Bonds and the 2011 Lease Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,032,161, which is reported as a deferred outflow on the government-wide statement of net position. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through fiscal year 2036 using the straight line method. The District completed the refunding to obtain an economic gain (difference between the present value of the old and the new debt service payments) of $12,694,440.

The 2016 Refunding Green Bonds Series A bears interest from 2.0% to 5.0% and the Series B bears interest of 0.73%. Interest for both Series A and B are due semi-annually on March 1 and September 1. Principal payments for Series A begins September 2017 and are due annually thereafter until September 2036. Series B has only one principal payment in September 2017.

The following schedule summarizes the District's outstanding promissory notes and bonds as of June 30, 2017:

Long Term Debt	Original Issue	Beginning Balance	Additions	Retirements	Ending Balance
Promissory Notes:					
Daloia Note	$ 240,000	$ 34,171	$ -	$ 23,104	$ 11,067
Hunt Note	1,500,000	1,500,000	-	-	1,500,000
2012 Refunding Note Current Int.	15,790,000	14,474,999	-	365,000	14,109,999
2012 Refunding Note Cap Apprec.	15,474,707	15,474,708	-	-	15,474,708
2015 Refunding Note	23,630,000	23,225,000	-	675,000	22,550,000
Subtotal Promissory Notes	56,634,707	54,708,878	-	1,063,104	53,645,774
Bonds:					
2007 Series A Refunding	52,415,000	47,300,000	-	47,300,000	-
2011 Lease Revenue	20,500,000	20,290,000	-	19,210,000	1,080,000
2015A General Obligation Bonds	40,000,000	40,000,000	-	-	40,000,000
2015B General Obligation Bonds	5,000,000	5,000,000	-	775,000	4,225,000
2016 Refunding Bond	57,410,000	-	57,410,000	-	57,410,000
Subtotal Bonds	175,325,000	112,590,000	57,410,000	67,285,000	102,715,000
Accreted Interest:					
2012 Refunding Note		3,989,444	1,125,509	-	5,114,953
Subtotal Accreted Interest		3,989,444	1,125,509	-	5,114,953
Unamortized Bond Premium		9,086,763	11,563,658	175,419	20,475,002
Total Long Term Debt	$ 231,959,707	$ 180,375,085	$ 70,099,167	$ 68,523,523	$ 181,950,729

The promissory notes future debt service requirements as of June 30, 2017 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2018	$ 1,126,067	$ -	$ 1,816,384	$ 2,942,451
2019	1,200,000	-	1,765,775	2,965,775
2020	1,285,000	-	1,707,675	2,992,675
2021	1,370,000	-	1,654,925	3,024,925
2022	1,445,000	-	1,600,525	3,045,525
2023-2027	10,800,000	-	6,518,950	17,318,950
2028-2032	20,273,894	-	2,872,575	23,146,469
2033-2037	11,112,188	10,811,786	326,375	22,250,349
2038-2042	5,033,625	16,660,661	-	21,694,286
2043-2047	-	17,998,052	-	17,998,052
Total Debt Service	$ 53,645,774	$ 45,470,499	$ 18,263,184	$117,379,457

The bonds future debt service requirements as of June 30, 2017 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2018	$ 4,590,000	$ -	$ 4,188,152	$ 8,778,152
2019	4,480,000	-	4,097,488	8,577,488
2020	4,145,000	-	3,959,988	8,104,988
2021	4,550,000	-	3,802,076	8,352,076
2022	4,755,000	-	3,626,063	8,381,063
2023-2027	27,195,000	-	14,362,440	41,557,440
2028-2032	15,525,000	-	8,778,027	24,303,027
2033-2037	15,400,000	-	5,983,245	21,383,245
2038-2042	12,640,000	-	3,002,400	15,642,400
2043-2047	9,435,000	-	773,500	10,208,500
Total Debt Service	$102,715,000	$ -	$ 52,573,379	$155,288,379

Amortization of the deferred loss on early retirement of long-term debt for the fiscal period ended June 30, 2017 was as follows:

Beginning Balance	$ 2,284,026
Addition	5,032,163
Amortization	(339,192)
Ending Balance	$ 6,976,997

NOTE 7 - RENTAL INCOME

The District rents certain land and structures to other entities under operating leases with terms generally on a month-to-month basis. Rental income of $1,122,022 was received during the period ended June 30, 2017.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

Pension Plan

General Information about the Pension Plans

Plan Description - The District provides benefits to eligible employees through cost-sharing multiple employer defined benefit pension plans (the Plan(s)) administered by the California Public Employees' Retirement System (CalPERS). Members of the Plan include all permanent employees working full-time. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%	2.00%
Required employee contribution rates	7.944%	7.944%	6.313%
Required employer contribution rates	10.069%	10.069%	6.555%

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Active	134
Transferred	48
Separated	62
Retired	62
Total	306

Contributions - 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions - employer	$ 4,788,977
Contributions - employee	691,005
Total	$ 5,479,982

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 10,121,906

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 using standard procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions in to the pension plan relative to the projected contributions of all participating employers, as actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.4163%
Proportion - June 30, 2016	0.2914%
Change in Proportions	-0.1249%

For the year ended June 30, 2017, the District recognized pension expense of $1,718,954. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,529,862	$ -
Changes in assumptions	-	(492,935)
Differences between expected and actual experiences	52,102	(11,938)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,945,906	-
Net differences between projected and actual earnings on plan investments	4,132,116	(1,566,551)
Total	$ 8,659,986	$ (2,071,424)

The District reported $2,529,862 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending:	Deferred Outflows/(inflows) of Resources
2018	$ 843,970
2019	892,951
2020	1,657,267
2021	664,512
Total	$ 4,058,700

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS was scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that was 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 they have changed their 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the 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 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	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 17,266,599
Current Discount Rate	7.65%
Net Pension Liability	$ 10,121,906
1% Increase	8.65%
Net Pension Liability	$ 4,217,172

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Other Postemployment Benefits (OPEB)

Plan Description

The District joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The District Board authorized a deposit of $1,900,000 in CERBT on June 5, 2008, to begin funding its OPEB liability. By Board resolution and through agreements with its labor unit, the District provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below:

Eligibility	Retire directly from the District under CalPER (age 50 and 5 years of service) Continue participation in PEMHCA
Retiree Medical Benefit	District pays retiree medical premiums up to: => $300/month effective 1/1/07 => $350/month effective 1/1/09 Must be at least equal to statutory PEMHCA minimum ($122 in 2015, $125 in 2016)
PEMHCA Administrative Fee	District pays CalPERS administrative fees (0.32% of premiums for 2015/16)
Surviving Spouse Continuation	Retiree benefit continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan
Other OPEB	None

Funding Policy

In accordance with the District's budget, the Annual Required Contribution (ARC) is to be funded throughout the period as a percentage of payroll. Concurrent with implementing Statement No. 45, the District's Board of Directors passed a resolution to participate in CERBT, an irrevocable trust established to fund OPEB. CERBT is managed by an appointed board not under the control of the District. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each period and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the period, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description		Balance
Annual required contribution	$	572,000
Interest on net OPEB asset		(43,000)
Adjustment to annual required contribution		62,000
Annual OPEB cost (expense)		591,000
Contributions made		(298,008)
Increase in net OPEB asset		292,992
Net OPEB obligation (asset) - beginning		(699,015)
Net OPEB obligation (asset) - ending	$	(406,023)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

Period Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation/ (Asset)
March 31, 2015	298,000	53%	(863,176)
June 30, 2016	386,000	57%	(699,015)
June 30, 2017	591,000	50%	(406,023)

Funded Status and Funding Progress

The most recent actuarial valuation date was June 30, 2015. The following summarizes the funded status of the plan as of June 30, 2017:

Description	Balance
Actuarial accrued liability (AAL)	$ 5,119,000
Value of plan assets	3,262,927
Unfunded actuarial accrued liability (UAAL)	$ 1,856,073
Funded ratio (actuarial value of plan assets/AAL)	64%
Projected covered payroll (active Plan members)	$ 9,789,000
UAAL as a percentage of covered payroll	19%

Actuarial Methods and Assumptions

The ARC was determined as part of the actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.04% to 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health inflation increases of 0% for 1 year, 1.5% for the next 5 years, and 3% thereafter. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least bi-annually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year open amortization period.

NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Prior to July 1, 2002, the District managed and financed these risks by purchasing commercial insurance. On July 1, 2002, the District joined the California Joint Powers Insurance Authority (CAL JPIA). CAL JPIA is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of CAL JPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. CAL JPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine member Executive Committee.

During the past three fiscal periods, none of the programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior period.

Self-Insurance Programs of the CAL JPIA

General and Automobile Liability

Each government member pays a primary deposit to cover estimated losses for a fiscal year (claims year). General liability (GL) coverage includes bodily injury, personal injury, or property damage to a third party resulting from a member activity. The GL program also provides automobile liability coverage. Six months after the close of a fiscal period, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first $30,000 to $750,000 are pooled based on member's share of costs under $30,000; costs in excess of $750,000 are shared by the members based upon each individual member's payroll. Costs of covered claims above $5,000,000 are currently paid by reinsurance. The protection for each member is $50,000,000 per occurrence, up to $50,000,000.

Worker's Compensation

The District also participates in the Worker's Compensation program administered by CAL JPIA. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The District is charged for the first $50,000 of each claim. Costs from $50,000 to $100,000 per claim are pooled based on the member's losses under its retention level. Costs between $100,000 and $2,000,000 per claim are pooled based on payroll. Costs from $2,000,000 to $5,000,000 are paid by excess insurance purchased by CAL JPIA. The excess insurance provides coverage to statutory limits.

Purchased Insurance

Environmental Insurance

The District participates in the Pollution and Remediation Legal Liability Program, which is available through CAL JPIA. The policy provides coverage for both first and third party damages, including certain types of cleanups; fuel spill or hazmat incidents; member listed non-owned disposal sites; above ground and underground storage tanks; and for sudden and gradual pollution at or from property, streets, sanitary sewer trunk lines and storm drain outfalls owned by the District. Coverage is on a claims-made basis. There is a $50,000 deductible. CAL JPIA has a limit of $50,000,000 for the three-year coverage period. The current coverage period is July 2017 through July 1, 2020. Each member of CAL JPIA has a $10,000,000 aggregate limit during the three-year period. The current coverage period is July 2017 through July 1, 2020.

Property Insurance

The District participates in the All-Risk property program of CAL JPIA which includes all-risk coverage for real and personal property (such as scheduled buildings, office furniture, equipment, vehicles, etc). This insurance is underwritten by several insurance companies. Property is currently insured according to a schedule of covered property submitted by the District to CAL JPIA. The All-Risk deductible is $5,000 per occurrence; $1,000 for non-emergency vehicles. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Boiler & Machinery Insurance

The District participates in the optional coverage for boiler and machinery, which is purchased separately under the property program. Coverage is for physical damage for sudden and accidental breakdown of boilers and machinery, and electrical injury. There is a $5,000 per accident or occurrence deductible.

Crime Insurance

The District participates in the crime program of CAL JPIA in the amount of $1,000,000 per claim, with a $2,500 per occurrence deductible. Insurance provides coverage for employee dishonesty, failure to faithfully perform duties, forgery, counterfeiting, theft, robbery, burglary, and computer fraud. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance

The District participates in the special events program of CAL JPIA which provides liability insurance when District premises are used for special events. The insurance premium is paid by the tenant user to the District according to a schedule. The District then pays the insurance arranged through CAL JPIA. There is no deductible and the District is added as additional insured. Liability limits are purchased in $1 million per occurrence increments.

Vendors/Contractors Program

General liability coverage with or without professional liability is offered through CAL JPIA to vendors/contractors who otherwise could not meet the District's minimum insurance requirement: $1 million per occurrence, $2 million in aggregate.

Cyber Liability Program

The cyber liability program is partially covered under the liability program, and partially held through a stand-alone coverage program. Cyber liability provides coverage for both first- and third-party claims. First party coverage includes privacy, regulatory claims, security breach response, business income loss, dependent business income loss, digital asset restoration costs, and cyber-extortion threats, while third-party coverage includes privacy liability, network security liability, and multimedia liability. Members work directly with the reinsurer to investigate and respond to claims. There is a $1 million per occurrence limit of coverage, $1 million aggregate limit per policy period per member, and a $10 million aggregate limit of coverage for all members per policy period.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2017.

NOTE 11 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. On July 18, 2017, the District made a $3.1 million deposit to purchase a new administrative office building. The full cost of the building is estimated at $31.5 million. On October 2, 2017, the District closed on the purchase of an industrial building/yard in the amount of $3.1 million.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The District recorded a prior period adjustment for fiscal year 2017 to record the separation of the Capital Projects Fund from fiscal year 2016 into two funds for fiscal year 2017. The District now has two capital projects funds, Measure AA Capital Projects Fund and the GF Capital Projects Fund. See note 1 for a description of each of the funds.

The District analyzed the revenue sources and expenditures from fiscal year 2016, when the Capital Projects Fund was originally set up, to determine the ending fund balance for each new capital projects fund. Based on this analysis, the Measure AA Capital Projects Fund and the GF Capital Projects Fund, had each been separated in fiscal year 2016, would have had an ending fund balances for fiscal year 2016 of $24,085,184 and ($307,137), respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
Property taxes	$ 42,785,000	$ 42,785,000	$ 42,281,739	$ (503,261)
Grant income	841,600	841,600	650,839	(190,761)
Property management	1,209,000	1,209,000	1,479,462	270,462
Investment earnings	450,000	450,000	313,397	(136,603)
Other revenues	332,440	332,440	608,558	276,118
Total revenues	45,618,040	45,618,040	45,333,995	(284,045)
Expenditures:				
Current				
Salaries and employee benefits	19,174,332	19,333,953	18,890,179	443,774
Services and supplies	8,168,018	8,130,731	5,612,468	2,518,263
Total expenditures	27,342,350	27,464,684	24,502,647	2,962,037
Excess (deficiency) of revenues over (under) expenditures	18,275,690	18,153,356	20,831,348	2,677,992
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(13,761,391)	(13,761,391)
Total other financing sources (uses)	-	-	(13,761,391)	(13,761,391)
Net change in fund balance	18,275,690	18,153,356	7,069,957	(11,083,399)
Fund balance beginning	54,228,626	54,228,626	54,228,626	-
Fund balance ending	$ 72,504,316	$ 72,381,982	$ 61,298,583	$ (11,083,399)

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Schedule of Pension Plan Contributions

June 30, 2017

	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 1,514,352	$ 1,358,520	$ 1,461,069
Contributions in Relation to Actuarially Determined Contributions	1,514,352	1,358,520	1,461,069
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Employee Payroll	**$ 11,834,150**	**$ 9,862,578**	**$ 8,994,979**
Contributions as a Percentage of Covered Payroll	**12.80%**	**13.77%**	**16.24%**

Notes to Schedule:

Valuation Date:	June 30, 2015
Assumptions Used:	Entry Age Method used for Actuarial Cost Method
	Level Percentage of Payroll (Closed) Used Amortization Method
	3.7 Years Remaining Amortization Period
	Inflation Assumed at 2.75%
	Investment Rate of Returns set at 7.5%
	CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Midpeninsula Regional Open Space District

Schedule of Net Pension Liability Proportionate Shares

June 30, 2017

	2017	2016	2015
Proportion of Net Pension Liability	0.29137%	0.41627%	0.39847%
Proportionate Share of Net Pension Liability	$ 10,121,906	$ 11,420,126	$ 9,848,203
Covered Employee Payroll	$ 11,834,150	$ 9,862,578	$ 8,994,979
Proportionate Share of NPL as a % of Covered Employee Payroll	**85.53%**	**115.79%**	**109.49%**
Plan's Fiduciary Net Position as a % of the TPL	**80.93%**	**73.93%**	**76.19%**

** Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Midpeninsula Regional Open Space District

Schedule of Funding Progress – Other Postemployment Benefits

June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
6/30/2011	$2,058,000	$1,844,000	$ 214,000	111.61%	$7,331,000	-2.92%
6/30/2013	2,035,000	2,555,000	520,000	79.65%	8,043,000	6.47%
6/30/2015	2,520,000	4,612,000	2,092,000	54.64%	9,182,000	22.78%

The above table is a summary schedule of the funding progress for the District's OPEB plan as stated in each actuarial study. The actuarial studies are based on assumptions and data available at the time each study was completed. The actual funding progress of the plan as noted in Note 8 may be different than the projections included in the actuarial studies.

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SUPPLEMENTARY INFORMATION

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Measure AA Capital Projects Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	160,000	163,483	3,483
Other revenues	-	-	-	-
Total revenues	-	160,000	163,483	3,483
Expenditures:				
Current				
Salaries and employee benefits	-	-	320,482	(320,482)
Services and supplies	-	-	36,837	(36,837)
Capital outlay	15,674,800	15,733,580	16,529,694	(796,114)
Total expenditures	15,674,800	15,733,580	16,887,013	(1,153,433)
Excess (deficiency) of revenues over (under) expenditures	(15,674,800)	(15,573,580)	(16,723,530)	(1,149,950)
Other financing sources (uses):				
Transfers in	-	-	1,030,287	1,030,287
Transfers out	-	-	(1,047,144)	(1,047,144)
Total other financing sources (uses)	-	-	(16,857)	(16,857)
Net change in fund balance	(15,674,800)	(15,573,580)	(16,740,387)	(1,166,807)
Fund balance beginning	23,778,047	23,778,047	23,778,047	-
Prior period adjustment - see note 12	307,137	307,137	307,137	-
Fund balance beginning - as adjusted	24,085,184	24,085,184	24,085,184	-
Fund balance ending	$ 8,410,384	$ 8,511,604	$ 7,344,797	$ (1,166,807)

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
GF Capital Projects Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive -
	Original	Final	Actual (GAAP Basis)	(Negative)
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current				
Salaries and employee benefits	-	-	-	-
Services and supplies	-	-	946,845	(946,845)
Capital outlay	4,016,050	4,438,050	3,431,732	1,006,318
Total expenditures	4,016,050	4,438,050	4,378,577	59,473
Excess (deficiency) of revenues over (under) expenditures	(4,016,050)	(4,438,050)	(4,378,577)	59,473
Other financing sources (uses):				
Transfers in	-	-	4,685,714	4,685,714
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	4,685,714	4,685,714
Net change in fund balance	(4,016,050)	(4,438,050)	307,137	4,745,187
Fund balance beginning	-	-	-	-
Prior period adjustment - see note 12	(307,137)	(307,137)	(307,137)	-
Fund balance beginning - as adjusted	(307,137)	(307,137)	(307,137)	-
Fund balance ending	$ (4,323,187)	$ (4,745,187)	$ -	$ 4,745,187

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Debt Service Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive -
	Original	Final	Actual (GAAP Basis)	(Negative)
Revenues:				
Property taxes	$ -	$ 1,800,000	$ 1,579,237	$ (220,763)
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	2,846	2,846
Other revenues	-	-	-	-
Total revenues	-	1,800,000	1,582,083	(217,917)
Expenditures:				
Debt service:				
Principal	6,002,900	6,002,900	5,193,104	809,796
Interest	5,081,940	5,081,940	6,403,845	(1,321,905)
Issuance cost	-	-	786,497	(786,497)
Total expenditures	11,084,840	11,084,840	12,383,446	(1,298,606)
Excess (deficiency) of revenues over (under) expenditures	(11,084,840)	(9,284,840)	(10,801,363)	(1,516,523)
Other financing sources (uses):				
Transfers in	-	-	10,122,821	10,122,821
Transfers out	-	-	(1,030,287)	(1,030,287)
Payment to refunded bond escrow agent	-	-	(68,187,161)	(68,187,161)
Proceeds of refunding bond	-	-	57,410,000	57,410,000
Premium from bond issuances	-	-	11,563,658	11,563,658
Total other financing sources (uses)	-	-	9,879,031	9,879,031
Net change in fund balance	(11,084,840)	(9,284,840)	(922,332)	8,362,508
Fund balance beginning	3,116,266	3,116,266	3,116,266	-
Fund balance ending	$ (7,968,574)	$ (6,168,574)	$ 2,193,934	$ 8,362,508

The notes to the financial statements are an integral part of this statement.

Midpeninsula Regional Open Space District

Measure AA Bond Program
Schedule of Program Expenditures
June 30, 2017

Project No.	Project Description	Expenditures from July 1, 2016 through June 30, 2017	Expenditures from Inception through June 30, 2017
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	$ -	$ 22,603
20088	POST Hendry's Creek Restoration (MAA 22-1)	-	41,330
20101	Lysons Property (17-1 MAA)	-	27,059
20102	Lobner Demolition (MAA 17-2)	-	128,760
20109	Riggs Property Appraisal - (3-1 MAA)	-	6,500
20110	Purisima Creek Uplands Lot line Adjustment (3-1 MAA)	-	13,000
20112	Conservation Easement Upper Alpine Ranch Area (15-1 MAA)	-	8,695
20113	Preservation of Upper Los Gatos Creek Watershed (22-1 MAA)	-	5,000
20114	Land Conservation Opportunities MAA 25-1 (Burtons)	-	150
30503	ECDM Trail Improvements (MAA 4-4)	-	3,930
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	-	34,196
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	-	17,646
31310	Mt Um Summit Restor & Improv (MAA 23-4)	-	79,491
31311	Mt Um Trail Overlook & Bridges (MAA 23-5)	-	243
31500	Measure AA Project 11-1	-	728
65101	PCR Harkins Bridge Replacement (MAA 3-4)	-	108,788
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	-	103,187
80016	ECdM Creek Watershed Protection Program (MAA 4-3)	-	45,507
80029	Pond DR05 Repair (MAA 7-5)	-	150,682
80037	Mindego Grazing Infrastructure (MAA 9-1)	-	135,748
80038	LHC Grazing Infrastructure - McDonald Ranch Fencing (MAA 5-2)	-	178,850
AA01	Miramontes Ridge - Gateway to San Mateo Coast	46,600	52,915
AA02	Bayfront Habitat Protection & Public Access Partnerships	212,334	287,168
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	82,136	457,816
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	10,067	318,751
AA05	La Honda Creek - Upper Recreation Area	215,022	2,107,596
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	913,025	10,828,183
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	5,634	71,875
AA10	Coal Creek: Reopen Alpine Road for Trail Use	4,286	4,286
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	522,837	3,009,855
AA17	Regional: Complete Upper Stevens Creek Trail	11,237	1,508,575
AA19	El Sereno Dog Park & Connections	-	715
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	101,936	191,974
AA21	CR:Pub Recreation Proj	888,883	1,219,293
AA22	Cathedral Oaks Public Access & Conservation	79,531	639,895
AA23	Mt Um Pub Access/Intrep	12,501,545	15,287,094
AA24	Rancho de Guadalupe Family Recreation	1,291,940	1,591,996
AA25	Loma Prieta Area Public Access	-	410,000
	Total MAA Bond Project Expenditures	16,887,013	39,100,080
	Reimbursements from Grants, Contributions, and Other Funds	(624,338)	(1,635,308)
	Total MAA Bond Project Expenditures - Net Reimbursements	$ 16,262,675	$ 37,464,772

The notes to the financial statements are an integral part of this statement.

NOTE 1 - BACKGROUND

Measure AA is a $300 million general obligation bond approved in June 2014 by over two-thirds of Midpen voters. Proceeds from bonds, which will be sold in a series over approximately the next 20-30 years, will be used to:

- Protect natural open space lands
- Open preserves or areas of preserves that are currently closed
- Construct public access improvements such as new trails and staging areas
- Restore and enhance open space land, which includes forests, streams, watersheds, and coastal ranch areas.

On July 29, 2015, the District issued $40,000,000 of 2015A general obligation bonds and $5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of $2,559,224 with an underwriter's discount of $107,599 and issuance costs of $170,000.

Land acquisition is the first step to open space conservation. The Vision Plan identified 50,000 acres of open space land that, when conserved, would significantly improve wildlife conditions, wetlands, watersheds, creeks, sensitive plant communities and healthy outdoor recreation. As of June 30, 2017, the District has acquired 1,245 acres of land with $18,898,663 in funding support from Measure AA Funds.

NOTE 2 - OVERISGHT COMMITTEE

The Oversight Committee is essential to implementing Measure AA and will consist of seven at-large members who reside within the District. The Committee convenes at least once a year and reviews annual Measure AA expenditures and Midpen's Annual Audit and Accountability report. Each year, the Committee's findings will be presented to the Board at a public meeting and will be posted on the District's website.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of accounting utilized in preparation of this report may differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying program statement is not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America. Expenditures incurred with Measure AA Bond proceeds are recorded on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measureable and available. Similarly, expenses are recognized when they are incurred, not when they are paid.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Midpeninsula Regional Open Space District
Los Altos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental activities, each major fund, and the aggregate remaining fund information of Midpeninsula Regional Open Space District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

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material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

October 13, 2017
San Jose, California

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