Midpeninsula Regional
Open Space District

FINANCING AUTHORITY MEETING

R-17-96
Meeting 17-01
July 26, 2017

AGENDA ITEM 1

AGENDA ITEM

Acceptance of the Controller's Annual Financial Report of the Midpeninsula Regional Open Space District Financing Authority for Fiscal Year Ending June 30, 2016

CONTROLLER'S RECOMMENDATION

Accept the Annual Financial Report of the Midpeninsula Regional Open Space District Financing Authority (Financing Authority) for Fiscal Year Ending June 30, 2016.

DISCUSSION

In May 1996, the District and Santa Clara County established the Financing Authority with the purpose of providing financing assistance to the District to fund the acquisition of land to preserve and use as open space and to finance public capital improvements. Accordingly, the District and the Financing Authority are accounted as one blended unit for financial statement purposes. On September 10, 2016, the District's independent auditors, Chavan & Associates, LLP., issued its report on the District's financial statements for the fiscal year ending June 30, 2016 (Attachment 1).

Through June 2016, the District has sold six series of Financing Authority bonds, with a total par value of $199.6 million. A summary of the six financings is shown in Table 1 below. Excluding the 2007 Bonds, which raised no new money and only refinanced existing Financing Authority bonds, the District has issued $140.5 million (net) of Financing Authority bonds, funding $77 million of new land acquisitions and repaying $60 million of prior public and private debt, which had been issued at higher interest rates and for shorter maturities.

Table 1: District Financings

Issuance	Par Amount	TIC*	Purpose
1996 Bonds	$29.9 M	6.25%	$11M Land + pay-off 1988 Notes
1999-1 Bonds	$29.7 M	5.26%	$21M Land + pay-off 1992 Notes
1999-2 Bonds	$28.4 M	5.93%	$15M Land + pay-off 1990 Notes
2004 Bonds	$31.9 M	4.99%	$10M Land + pay-off 1993 COPs
2007 Bonds	$59.2 M	4.57%	Pay-off 1996 & 1999-2 Notes
2011 Bonds	$20.5 M	5.60%	Purchase $20M of Land

* TIC = Total Interest Cost, including all costs of issuance

Two Financing Authority bond issues remained outstanding on June 30, 2016, with a total outstanding balance of $67.59 million. This represented 39% of the District's total outstanding debt balance. The average total interest cost of these outstanding Financing Authority bonds was 4.87%. A summary of the activity on the Financing Authority bonds in fiscal 2016 is shown below. During the 2016 fiscal year, $2.73 million of principal was repaid and $3.49 million of interest was paid.

Table 2:
FY2015-16 Financing Authority Activity
($ millions)

	Balance March 2015	Principal Paid	Balance June 2016	Interest Paid FY2015-6
2007 Bonds	$49.94	$2.64	$47.30	$2.41
2011 Bonds	$20.38	$0.09	$20.29	$1.08
	$70.32	$2.73	$67.59	$3.49

In September 2016, all of the 2007 Bonds and the callable portion of the 2011 Bonds (95% of the outstanding) were refunded from the proceeds of issuance of the District 2016 Green Bonds. The net present value savings from this refunding was $15.7 million. As of July 2017, only $1.08 million of Financing Authority debt remains outstanding, repayable through fiscal 2022. There are no plans to issue additional debt through the Financing Authority.

FISCAL IMPACT

There are no unbudgeted fiscal impacts associated with the recommended action.

BOARD COMMITTEE REVIEW

Board Committee review is not required for this agenda item.

PUBLIC NOTICE

Notice was provided pursuant to the Brown Act. No additional notice is necessary.

CEQA COMPLIANCE

No compliance is required as this action is not a project under the California Environmental Quality Act.

NEXT STEPS

None.

Attachment

1. District's Financial Statements for the Fiscal Year ended June 30, 2016.

Prepared by:
Michael Foster, Controller

DRAFT

Attachment 1

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

ANNUAL FINANCIAL AUDIT REPORT

JUNE 30, 2016

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

Chavan & Associates, LLP
Certified Public Accountants

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 Midpeninsula Regional Open Space District (the District), as of and for the fifteen months ended June 30, 2016, 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 District, as of June 30, 2016, and the respective changes in financial position for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Chavan & Associates, LLP
Certified Public Accountants

Emphasis of a Matter

New Accounting Pronouncements

As discussed in Note 1 to the financial statements, the District adopted the provisions GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local* Governments, effective June 30, 2016. Our opinion is not modified with respect to these matters.

Change in Reporting Period

In order to improve the transparency over reporting financial transactions and overall operations, 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 this report cover the fifteen month period ended June 30, 2016. The most recently issued financial statements previous to this covered the fiscal period ended March 31, 2015, thus information may not be comparable between the financial statements and note disclosures included in each of these reports. Our opinion is not modified with respect to this matter.

Basis of Presentation

As of June 30, 2016, the District created a capital projects fund in order to account for resources restricted to capital outlay. To the establish the capital projects fund, the District recorded a prior period adjustment of $5,248,837 to account for projects reported in the General Fund in prior periods that were restricted under bond Measure AA. See page 16 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.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Chavan & Associates, LLP
Certified Public Accountants

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2016 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

September 10, 2016
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

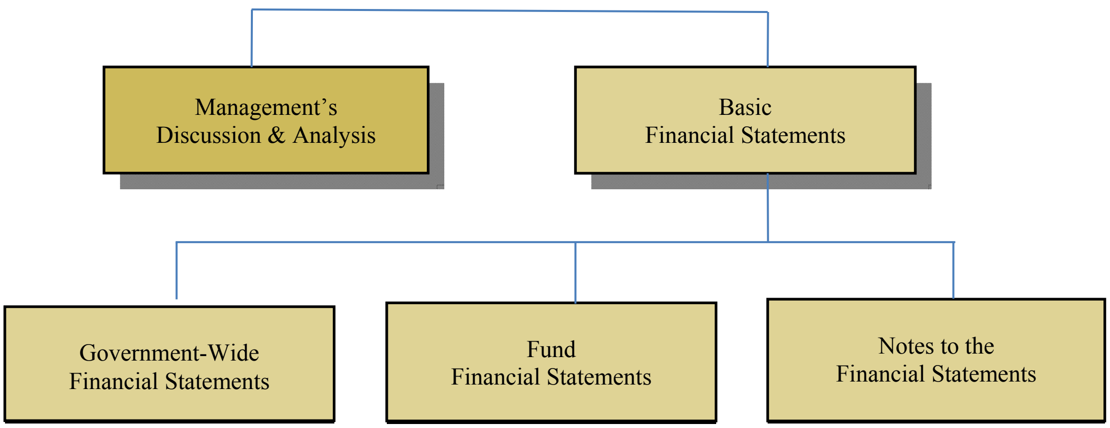
Management's Discussion and Analysis

Midpeninsula Regional Open Space District
Management's Discussion and Analysis
For the Period Ended June 30, 2016

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the Period ended on June 30, 2016. 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



FINANCIAL HIGHLIGHTS

Driven by the continued strong economy in Silicon Valley, District property tax revenue again increased above its long-term trend line in period 2016, growing by $9.9 million, or 28%. Tax revenue fell short of budget by $449 thousand, or 41%. The assessed valuation of secured and unsecured property within the District, as of July 1, 2014, increased by 6.0%. District tax revenue growth never exactly matches the rate of increase in assessed valuation because the District's hybrid Period spans two tax years and redevelopment-related taxes include some one-time distributions. The District received 78% of its tax revenue from Santa Clara County and 22% from San Mateo County.

The most significant long-term event of the year was the passage of Measure AA by District voters in June 2014, allowing the issuance of $300 million of general obligation (GO) bonds over the next thirty years. The first tranche of District GO bonds, $45 million, is expected to be issued in fiscal 2016. Some $5.2 million of Measure AA-related capital spending made in period 2016 qualifies for reimbursement from the proceeds of this sale of GO bonds.

District expenditures were again within the annual budget. Excluding land acquisition and debt service, total District spending, $28.47 million, was $7.27 million, or 20%, below budget. As in most recent years, a large majority of the budget variance was due to delays and deferrals of capital projects; the District spent 104% of its budget for salaries and benefits, and 81% of the budget for services and supplies.

The District's net position increased by $336 thousand and included a reduction to beginning net position from the implementation of GASB 68 of $11.8 million. GASB 68 required the District to record a net pension obligation for its share of the CalPERS miscellaneous pension plan totaling $11.4 million. The actual change in net position before this adjustment was $12.1 million for period 2016. The assets of the District exceeded liabilities at the close of the 2016 period by $321.5 million. Of this total net position, $277.6 million, or 86%, was the District's net investment in capital assets (capital assets net of related debt).

USING THE ANNUAL REPORT

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

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides 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 Period 2015 - 2016?" The Statement of Net Position and the Statement of Activities answer 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, 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. Governmental activities are the activities where the District's programs and services are reported. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's fund financial statements begins on page 11. 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 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 las period:

Table 1 - Summary of Statement of Net Position

	2016	2015	Change	Percentage Change
Assets				
Current Assets	$ 83,335,071	$ 45,980,316	$ 37,354,755	81.24%
Noncurrent Assets	430,311,829	413,584,109	16,727,720	4.04%
Total Assets	$ 513,646,900	$ 459,564,425	$ 54,082,475	11.77%
Total Deferred Outflows of Resources	$ 9,274,127	$ 2,623,220	$ 6,650,907	253.54%
Liabilities				
Current Liabilities	$ 4,496,132	$ 2,962,155	$ 1,533,977	51.79%
Noncurrent Liabilities	193,612,099	138,100,426	55,511,673	40.20%
Total Liabilities	$ 198,108,231	$ 141,062,581	$ 57,045,650	40.44%
Total Deferred Inflows of Resources	$ 3,352,133	$ -	$ 3,352,133	100.00%
Net Position				
Net Investment in Capital Assets	$ 277,624,874	$ 278,611,038	$ (986,164)	-0.35%
Restricted	4,370,456	2,565,732	1,804,724	70.34%
Unrestricted	39,465,333	39,948,294	(482,961)	-1.21%
Total Net Position	$ 321,460,663	$ 321,125,064	$ 335,599	0.10%

Total net position increased by $336 thousand, as revenues exceeded expenditures. Noncurrent assets increased due to $16.7 million of capital expenditures. Total liabilities increased due to $45 million in proceeds from the issuance of Measure AA general obligation bonds.

Table 2 shows the changes in net position for Period 2015 as compared to 2014.

Table 2 - Summary of Changes in Net Position				
	2016	2015	Change	Percentage Change
Revenues				
Program revenues	$ 2,829,519	$ 2,389,605	$ 439,914	18.41%
General revenues:				
Property taxes	44,980,497	35,081,540	9,898,957	28.22%
Investment earnings	647,839	201,813	446,026	221.01%
Miscellaneous	810,250	216,219	594,031	274.74%
Total Revenues	49,268,105	37,889,177	11,378,928	30.03%
Program Expenses				
Land preservation	26,079,919	19,477,519	6,602,400	33.90%
Interest	9,751,674	7,202,178	2,549,496	35.40%
Depreciation	1,311,272	1,231,881	79,391	6.44%
Total Expenses	37,142,865	27,911,578	9,231,287	33.07%
Change in Net Position	12,125,240	9,977,599	2,147,641	21.52%
Adjustment to Beginning Net Position	(11,789,641)	-	(11,789,641)	100.00%
Beginning Net Position	321,125,064	311,147,465	9,977,599	3.21%
Ending Net Position	$ 321,460,663	$ 321,125,064	$ 335,599	0.10%

Program revenues increased because the District received more grant income and charges for services in period 2016. In period 2015, the District received $1 million in capital grants versus $1.2 million in period 2016. Property tax revenue increased by 28% due to growth in assessed valuation in both Santa Clara and San Mateo portions of the District and the passing of Measure AA. Investment earnings increased due to higher cash balances.

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)							
	2016						
	General Fund	Capital Projects Fund	Debt Service Fund	Total	2015	Change	Percentage Change
Restricted for debt service	$ -	$ -	#########	$ 3,116,266	$ -	$ 3,116,266	100%
Restricted for Hawthorne maintenance	1,971,040	-	-	1,971,040	1,702,556	268,484	16%
Restricted for Measure AA Projects	-	23,778,047	-	23,778,047	-	23,778,047	100%
Committed for infrastructure	25,000,000	-	-	25,000,000	15,000,000	10,000,000	67%
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%
Assigned for infrastructure	5,000,000	-	-	5,000,000	3,000,000	2,000,000	67%
Unassigned	16,857,586	-	-	16,857,586	21,329,605	(4,472,019)	-21%
Total Fund Balance	##########	##########	#########	##########	##########	##########	75%

Following the completion of its new thirty year strategic plan, the Board of Directors committed a majority of the unassigned fund balance during period 2016 to reserves for infrastructure, equipment replacement and natural disasters. See page 20 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 2016, the District revised its General Fund budget which resulted in an increase in total budgeted expenditures of $9.8 million from the original to final budget. The final budgeted revenue and other financing sources estimate was $47.8 million. The original budgeted estimate was $38.7 million.

The budgetary comparison schedule following Note 10 of the footnotes shows how the District financial results of period 2016, on a GAAP basis, compared to the original budget adopted in March 2015 and the final budget amended in February 2016. Total revenue was $1.6 million, or 3.4%, under budget. Total expenditures were $7.3 million, or 20.4%, below budget, leaving an excess of revenue over expenditure of $17.7 million. Spending for salaries, benefits, services and supplies was at 104% of budget as compared to 81% in the prior year.

CAPITAL ASSETS

Table 4 shows 2016 capital asset balances as compared to 2015.

Table 4 - Summary of Capital Assets Net of Depreciation

	2016	2015	Change	Percentage Change
Land	$ 403,773,365	$ 390,690,696	$ 13,082,669	3.35%
Construction-in-Progress	7,223,594	3,250,593	3,973,001	122.22%
Structure and Improvements	7,115,767	7,188,257	(72,490)	-1.01%
Infrastructure	7,551,992	7,700,415	(148,423)	-1.93%
Equipment	945,829	910,497	35,332	3.88%
Vehicles	1,844,342	1,736,367	107,975	6.22%
Total Capital Assets - Net	$ 428,454,889	$ 411,476,825	$ 16,978,064	4.13%

LONG TERM LIABILITIES

Table 5 summarizes the changes in long-term liabilities over the past two reporting periods.

Table 5 - Summary of Long-term Liabilities

	2016	2015	Change	Percentage Change
Promissory Notes	$ 65,176,664	$ 66,163,003	$ (986,339)	-1.49%
Bonds	115,198,421	70,400,744	44,797,677	63.63%
Net Pension Obliugation	11,420,125	-	11,420,125	100.00%
Compensated Absences	1,816,889	1,536,679	280,210	18.23%
Total Long-term Liabilities	$ 193,612,099	$ 138,100,426	$55,511,673	40.20%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the District's budget for Period 2016 on March 26, 2015. This budget assumes the issuance of $45 million of GO bonds in the summer of 2015 and growth in general fund property tax income of 6.5%. This budget funds $22.3 million of capital spending, of which $17.6 million would qualify for reimbursement from Measure AA GO bond proceeds. The budget assumes a $5.3 million reimbursement of the general fund for Measure AA qualified capital spending in period 2015. Operating expenditures and general fund debt service are budgeted at $21.8 million and $9.9 million, respectively. If all revenues, expenditures and debt issuance occur as budgeted, the District's overall cash balances would increase by $30.1 million. Assessed valuation data received since March 2015 indicate that fiscal 2016 general fund tax revenue is likely to exceed budget estimates by over $1.5 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 District Clerk, Midpeninsula Regional Open Space District, 330 Distel Circle, Los Altos, California 94022.

Basic Financial Statements

Midpeninsula Regional Open Space District
Statement of Net Position
June 30, 2016

Assets		
Current assets:		
Cash and investments	$	81,598,301
Accounts receivable:		
Deposits		1,537,825
Rent		3,506
Interest		168,025
Due from other governments:		
Taxes receivable		11,792
Other current assets		15,622
Total current assets		83,335,071
Noncurrent assets:		
Net OPEB asset		699,015
Notes receivable		151,425
Unamortized issuance costs		1,006,500
Non-depreciable capital assets		410,996,958
Capital assets, net of depreciation		17,457,931
Total noncurrent assets		430,311,829
Total Assets	$	513,646,900
Deferred Outflows of Resources		
Pension expense and contributions	$	6,990,099
Deferred loss on early retirement of long-term debt		2,284,028
Total Deferred Outflows of Resources	$	9,274,127
Liabilities		
Current liabilities:		
Accounts payable	$	1,137,971
Deposits payable		98,770
Payroll and other liabilities		975,391
Accrued interest		2,284,000
Total current liabilities		4,496,132
Noncurrent liabilities:		
Due within one year		5,465,679
Due after one year		188,146,420
Total noncurrent liabilities		193,612,099
Total Liabilities	$	198,108,231
Deferred Inflows of Resources		
Pension adjustments	$	3,352,133
Net Position		
Net investment in capital assets	$	276,394,511
Restricted for:		
Debt service		3,116,266
Hawthorne maintenance		1,971,040
OPEB		699,015
Total restricted		5,786,321
Unrestricted		39,279,831
Total Net Position	$	321,460,663

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

Midpeninsula Regional Open Space District

Statement of Activities

For the Fifteen Month Period Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Land preservation	$ 26,079,919	$ 1,635,889	$ 1,193,630	$ (23,250,400)
Interest	9,751,674	-	-	(9,751,674)
Depreciation	1,311,272	-	-	(1,311,272)
Total governmental activities	$ 37,142,865	$ 1,635,889	$ 1,193,630	(34,313,346)
General revenues:				
Property taxes				44,980,497
Investment earnings				647,839
Other revenues				743,607
Special items - loss on disposal of capital assets				66,643
Total general revenues and special items				46,438,586
Change in net position				12,125,240
Net position beginning				321,125,064
Prior period adjustment - GASB 68 pension adjustments				(11,789,641)
Net position beginning as adjusted				309,335,423
Net position ending				$ 321,460,663

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

Midpeninsula Regional Open Space District
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 54,151,757	$ 24,330,278	$ 3,116,266	$ 81,598,301
Receivables:				
Deposits	1,537,825	-	-	1,537,825
Rent	3,506	-	-	3,506
Interest	168,025	-	-	168,025
Due from other governments:				
Taxes receivable	11,792	-	-	11,792
Other current assets	15,622	-	-	15,622
Due from other funds	65,011	19,016	-	84,027
Notes receivable	151,425	-	-	151,425
Total Assets	$ 56,104,963	$ 24,349,294	$ 3,116,266	$ 83,570,523
LIABILITIES				
Liabilities:				
Accounts payable	$ 580,398	$ 557,573	$ -	$ 1,137,971
Deposits payable	98,770	-	-	98,770
Due to other funds	70,353	13,674	-	84,027
Payroll and other liabilities	975,391	-	-	975,391
Total Liabilities	1,724,912	571,247	-	2,296,159
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	151,425	-	-	151,425
FUND BALANCE				
Restricted for:				
Debt service	-	-	3,116,266	3,116,266
Measure AA capital projects	-	23,778,047	-	23,778,047
Hawthorne maintenance	1,971,040	-	-	1,971,040
Committed for:				
Infrastructure	25,000,000	-	-	25,000,000
Equipment replacement	2,400,000	-	-	2,400,000
Natural disasters	3,000,000	-	-	3,000,000
Assigned for:				
Infrastructure	5,000,000			5,000,000
Unassigned	16,857,586	-	-	16,857,586
Total Fund Balance	54,228,626	23,778,047	3,116,266	81,122,939
Total Liabilities and Fund Balance	$ 56,104,963	$ 24,349,294	$ 3,116,266	$ 83,570,523

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, 2016

Total fund balance - governmental funds		$ 81,122,939
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	$ 442,283,344	
Accumulated depreciation	(13,828,455)	428,454,889
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.		151,425
Net OPEB assets are not available to pay for current period expenditures and, therefore, are not recognized in the governmental funds statements.		699,015
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.		3,637,966
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(2,284,000)
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:		1,006,500
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.		2,284,028
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
Bonds	$ 115,198,421	
Net pension obligations	11,420,125	
Promissory notes	65,176,664	
Compensated absences	1,816,889	(193,612,099)
Total net position - governmental activities		$ 321,460,663

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 Fifteen Month Period Ended June 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property taxes	$ 43,203,891	$ -	$ 1,776,606	$ 44,980,497
Grant income	222,660	970,970	-	1,193,630
Property management	1,635,889	-	-	1,635,889
Investment earnings	453,540	185,502	26,740	665,782
Other revenues	643,849	-	-	643,849
Total revenues	46,159,829	1,156,472	1,803,346	49,119,647
Expenditures:				
Current:				
Salaries and employee benefits	22,077,184	412,718	-	22,489,902
Services and supplies	6,147,083	327,881	-	6,474,964
Capital outlay	242,376	18,658,484	-	18,900,860
Debt service:				
Principal	-	-	4,366,938	4,366,938
Interest	-	-	6,477,830	6,477,830
Total expenditures	28,466,643	19,399,083	10,844,768	58,710,494
Excess (deficiency) of revenues over (under) expenditures	17,693,186	(18,242,611)	(9,041,422)	(9,590,847)
Other financing sources (uses):				
Transfers in	-	2,269,495	9,876,063	12,145,558
Transfers out	(12,145,558)	-	-	(12,145,558)
Proceeds from bond issuances	-	45,000,000	-	45,000,000
Premium from bond issuances	-	-	2,281,625	2,281,625
Total other financing sources (uses)	(12,145,558)	47,269,495	12,157,688	47,281,625
Net changes in fund balance	5,547,628	29,026,884	3,116,266	37,690,778
Fund balance beginning	43,432,161	-	-	43,432,161
Prior period adjustment - Capital Projects Fund	5,248,837	(5,248,837)	-	-
Fund balance beginning - as adjusted	48,680,998	(5,248,837)	-	48,680,998
Fund balance ending	$ 54,228,626	$ 23,778,047	$ 3,116,266	$ 81,122,939

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 Fifteen Month Period Ended June 30, 2016

Total net change in fund balance - governmental funds		$ 37,690,778
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	$ 18,222,696	
Depreciation expense	(1,311,272)	16,911,424
Governmental funds do not report loss on disposal of capital assets. However, in the government-wide statement of activities and changes in net position, the cost to dispose of capital assets, net any proceeds, is accounted for as a special item.		66,643
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.		(17,943)
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.		(1,064,650)
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	$ (47,281,625)	
Repayment of bond principal	2,730,000	
Repayment of promissory notes princpal	1,636,938	(42,914,687)
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.		(339,194)
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		99,758
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.		(280,210)
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.		4,007,482
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:		(164,161)
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.		(1,870,000)
Change in net position of governmental activities		$ 12,125,240

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, 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 this report cover the fifteen month period ended June 30, 2016. The most recently issued financial statements previous to this covered the fiscal period ended March 31, 2015, 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 a consumption of net assets by the government that is applicable to a future reporting period, for example; prepaid items and deferred charges.

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period, for example; unearned revenue and advance collections.

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.

Capital Projects Fund. The Capital Projects Fund is used to account for resources from bond proceeds and other related resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of land, land improvements, structures, capital facilities and other capital assets in the governmental 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 as a whole, which includes both its General and Debt Service Funds 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 Entity’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. 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

5. 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 August 9, 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 August 9, 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.

6. 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.

7. 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.

8. 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: $15.0 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.

9. 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.

10. 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 County 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 the County and is used to pay the interest cost of borrowing the cash used for the advances.

11. 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. 72, *Fair Value Measurement and Application*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 (GASB 72) are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement generally requires state and local governments to measure investments at fair value. The statement defines an *investment* as a security or other asset that (*a*) a government holds primarily for the purpose of income or profit and (*b*) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. *Fair value* is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date.

The statement requires that acquisition value (an entry price) be used to measure the following assets:

a. donated capital assets;
b. donated works of art, historical treasures, and other similar assets; and
c. capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires that sound and consistent valuation techniques be used to determine fair value. The valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique used should be consistent with one or more of three approaches that are appropriate in the circumstances: the market approach, cost approach, and income approach. Valuation techniques should be applied consistently from period to period. A change in valuation technique or its application is appropriate if it achieves a measurement that is equally or more representative of an asset's fair value under the circumstances.

Inputs to valuation techniques used to measure fair value are categorized into three levels as noted in the investments disclosure section.

The implementation of GASB 72 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. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The purpose of GASB Statement No. 76 (GASB 76) is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB 76 reduces the authoritative sources of GAAP from four categories to two. According to the statement, "The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A).
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B)."

Sources of nonauthoritative accounting literature are identified in paragraph 7 of GASB 76, and includes GASB Concepts Statements.

The implementation of GASB 76 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. 79, *Certain External Investment Pools and Pool Participants*

GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in GASB 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in GASB 79, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The implementation of GASB 79 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans—defined benefit and defined contribution—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, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

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 District provides financial support for OPEB of employees of another District.

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. 77, *Tax Abatement Disclosures*

GASB Statement No. 77, *Tax Abatement Disclosures,* addresses financial reporting about the nature and magnitude of tax abatements of governmental entities. The statement requires that governments that enter into tax abatements disclose more comprehensive information about the agreements, including the following:

a. Brief descriptive information including what tax is being abated, the authority under which the abatement is provided, and the eligibility criteria
b. The gross dollar amount of taxes abated during the period
c. Other commitments made by a government as part of the agreement

The complete disclosure requirements are provided in paragraphs 7 and 8 of GASB 77

GASB 77 is effective for periods beginning after December 15, 2015.

The District does not anticipate a material impact on its financial statements from the implementation of this standard.

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 requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The District does not anticipate a material impact on its financial statements from the implementation of this standard.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes deposits as of June 30, 2016:

Cash and Investments	Cash and Cash Equivalents Available for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	$ 54,545	$ 1,531,668	$ 1,586,213
Petty Cash	1,500	-	1,500
Total Cash Deposits	56,045	1,531,668	1,587,713
Investments:			
California Local Agency Investment Fund	358,217	-	358,217
Brokerage Accounts/Cash with Fiscal Agents	14,430,230	25,845,177	40,275,407
Santa Clara County Pool	37,775,597	1,415,865	39,191,462
Total Investments	52,564,044	27,261,042	79,825,086
Total Cash and Investments	$ 52,620,089	$ 28,792,710	$ 81,412,799

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, 2016, the District's bank balances exceeded FDIC coverage by $1,504,987.

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 Entity has the following investments with recurring fair value measurements as of June 30, 2016:

				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	$ 100,670	n/a	$ 100,670	$ -	$ -	$ -	0.13%
Mutual Funds	n/a	141,392	Level 2	141,392	-	-	-	0.18%
Municipal Bonds	AA-/A+	3,503,232	Level 2	300,375	361,116	2,841,741	-	4.37%
Corp/Gov Bonds	A-/A+	28,278,960	Level 1	5,078,523	17,946,649	5,253,788	-	35.32%
LAIF	n/a	358,439	Level 2	358,439	-	-	-	0.45%
Santa Clara County Pool	n/a	39,191,462	Level 2	21,676,389	8,016,009	9,499,064	-	48.94%
U.S. Obligations	AAA	8,501,322	Level 1	5,616,465	2,884,857	-	-	10.62%
Total Investments		$ 80,075,477		$ 33,272,253	$29,208,631	$17,594,593	$ -	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, 2016, these investments had an average maturity date of less than one year.

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, 2016, the District had $1,700,401 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, 2016 was $1,531,668.

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 $6.3 billion and $75.4 billion, respectively as of June 30, 2016, 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 2016 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 - 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, 2016 was $151,425.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the period ended June 30, 2016 is shown below:

Capital Assets	Balance March 31, 2015	Additions	Deletions/ Adjustments	Balance June 30, 2016
Non-depreciable:				
Land	$ 390,690,696	$ 13,082,669	$ -	$ 403,773,365
Construction in Progress	3,250,593	4,241,773	(268,773)	7,223,593
Total Non-Depreciable	393,941,289	17,324,443	(268,773)	410,996,959
Depreciable:				
Structure and Improvements	15,319,717	285,000	-	15,604,717
Infrastructure	9,716,248	266,552	(1,000)	9,981,800
Equipment	1,843,504	150,311	-	1,993,815
Vehicles	3,414,658	465,163	(173,768)	3,706,053
Total Depreciable	30,294,127	1,167,026	(174,768)	31,286,385
Less Accumulated Depreciation for:				
Structure and Improvements	(8,131,460)	(428,018)	70,528	(8,488,950)
Infrastructure	(2,015,833)	(413,975)	-	(2,429,808)
Equipment	(933,007)	(114,979)	-	(1,047,986)
Vehicles	(1,678,291)	(354,300)	170,880	(1,861,711)
Total Accumulated Depreciation	(12,758,591)	(1,311,272)	241,408	(13,828,455)
Total Depreciable Capital Assets - Net	17,535,536	(144,246)	66,640	17,457,930
Total Capital Assets - Net	$ 411,476,825	$ 17,180,197	$ (202,133)	$ 428,454,889

NOTE 5 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the period ended June 30, 2016:

Long-term Obligations	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Promissory Notes:					
Current Interest	$ 40,871,108	$ -	$ 1,636,938	$ 39,234,170	$ 1,063,105
Capital Appreciation	15,474,708	-	-	15,474,708	-
Accreted interest	2,924,794	1,064,650	-	3,989,444	-
Unamortized Bond Premium	6,892,393	-	414,051	6,478,342	-
Subtotal Promissory Notes	66,163,003	1,064,650	2,050,989	65,176,664	1,063,105
Bonds:					
Current Interest	70,320,000	45,000,000	2,730,000	112,590,000	4,130,000
Unamortized Bond Premium	80,744	2,583,686	56,009	2,608,421	-
Subtotal Bonds	70,400,744	47,583,686	2,786,009	115,198,421	4,130,000
Net Pension Obligation	-	11,420,125	-	11,420,125	-
Compensated Absences	1,536,679	280,210	-	1,816,889	272,574
Total Long-term Obligations	$ 138,100,426	$ 60,348,671	$ 4,836,998	$ 193,612,099	$ 5,465,679

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 matures 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. *2005 Refunding Promissory Note*

2010 Bergman Note

On Nov 30, 2010, the District issued a promissory note with Principal of $850,000 and interest of 4% to finance the purchase of land. Interest is due on a quarterly basis beginning February 28, 2011 and mature on November 30, 2015.

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

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.

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 semiannually 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.

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.

The following schedule summarizes the District's outstanding promissory notes and bonds as of June 30, 2016:

Long Term Debt	Original Issue	Beginning Balance	Additions	Retirements	Ending Balance
Promissory Notes:					
Daloia Note	$ 240,000	$ 61,109	$ -	$ 26,938	$ 34,171
Hunt Note	1,500,000	1,500,000	-	-	1,500,000
Bergman Note	850,000	850,000	-	850,000	-
2012 Refunding Note Current Int.	15,790,000	14,829,999	-	355,000	14,474,999
2012 Refunding Note Cap Apprec.	15,474,707	15,474,708	-	-	15,474,708
2015 Refunding Note	23,630,000	23,630,000	-	405,000	23,225,000
Subtotal Promissory Notes	57,484,707	56,345,816	-	1,636,938	54,708,878
Bonds:					
2015A General Obligation Bonds	40,000,000	-	40,000,000	-	40,000,000
2015B General Obligation Bonds	5,000,000	-	5,000,000	-	5,000,000
2007 Series A Refunding	52,415,000	49,935,000	-	2,635,000	47,300,000
2011 Lease Revenue	20,500,000	20,385,000	-	95,000	20,290,000
Subtotal Bonds	117,915,000	70,320,000	45,000,000	2,730,000	112,590,000
Accreted Interest - 2012 Refunding Note		2,924,794	1,064,650	-	3,989,444
Unamortized Bond Premium		6,973,137	2,583,686	470,060	9,086,763
Total Long Term Debt	$ 175,399,707	$ 136,563,747	$ 48,648,336	$ 4,836,998	$ 180,375,085

The promissory notes future debt service requirements as of June 30, 2016 were as follows:

Year Ending March 31,	Principal	Remaining Accretion	Interest	Total
2017	$ 1,063,105	$ -	$ 1,855,666	$ 2,918,771
2018	1,126,067	-	1,816,384	2,942,451
2019	1,199,999	-	1,765,775	2,965,774
2020	1,285,000	-	1,707,675	2,992,675
2021	1,370,000	-	1,654,925	3,024,925
2022-2026	9,995,000	-	7,025,325	17,020,325
2027-2031	19,337,251	-	3,705,350	23,042,601
2032-2036	12,975,269	10,811,786	587,750	24,374,805
2037-2041	6,357,187	16,660,661	-	23,017,848
2042-2046	-	17,998,052	-	17,998,052
Total Debt Service	$ 54,708,878	$ 45,470,499	$ 20,118,850	$ 120,298,227

The bonds future debt service requirements as of June 30, 2016 were as follows*:*

Year Ending March 31,	Principal	Remaining Accretion	Interest	Total
2017	$ 4,130,000	$ -	$ 5,083,213	$ 9,213,213
2018	4,430,000	-	4,904,694	9,334,694
2019	4,655,000	-	4,707,538	9,362,538
2020	4,395,000	-	4,510,188	8,905,188
2021	4,840,000	-	4,306,776	9,146,776
2022-2026	28,245,000	-	17,705,071	45,950,071
2027-2031	17,800,000	-	11,352,277	29,152,277
2032-2036	12,420,000	-	8,850,514	21,270,514
2037-2041	9,510,000	-	6,333,625	15,843,625
2042-2046	22,165,000	-	1,497,463	23,662,463
Total Debt Service	$ 112,590,000	$ -	$ 69,251,359	$ 181,841,359

Amortization of the deferred loss on early retirement of long-term debt for the fiscal period ended June 30, 2016 was as follows:

Beginning Balance	$ 2,623,220
Amortization	(339,194)
Ending Balance	$ 2,284,026

NOTE 6 - 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 $1,284,477 was received during the period ended June 30, 2016.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

Pension Plan

General Information about the Pension Plans

Plan Description - 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, 2016, are summarized as follows:

Benefit formula	2% @ 55
Benefit vesting schedule	5 Years
Benefit payments	Monthly for Life
Retirement age	55
Monthly benefits as a % of eligible compensation	2.0% to 2.7%
Required employee contribution rates	8.00%
Required employer contribution rates	14.85%

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. District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Total
Contributions - employer	$ 256,897
Contributions - employee	122,144
Total contributions	$ 379,041

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

As of June 30, 2016, 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 Plan	$ 11,420,125

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, 2015, 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, 2014 using standard update procedures. District's proportion of the net pension liability was based on a projection of District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.3985%
Proportion - June 30, 2015	0.4163%
Change	0.0178%

For the year ended June 30, 2016, District recognized pension expense of $781,494. At June 30, 2016, 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	$ 4,788,977	$ -
Changes in assumptions	-	(824,734)
Differences between expected and actual experiences	87,172	-
Net differences between projected and actual earnings on plan investments	2,113,950	(2,527,399)
Total	$ 6,990,099	$ (3,352,133)

District reported $183,304 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:

Measurement Periods Ended June 30:	Deferred Outflows/(inflows) of Resources
2016	$ 4,211,583
2017	(577,394)
2018	(524,711)
2019	528,488
Total	$ 3,637,966

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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 District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what 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:

1% Decrease	6.65%
Net Pension Liability	$ 19,152,347
Current Discount Rate	7.65%
Net Pension Liability	$ 11,420,125
1% Increase	8.65%
Net Pension Liability	$ 5,036,278

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	Service or disability retirement from the District Age 50 and 5 years of service Continue participation in Public Employees Medical and Hospital Care Act (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

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	$ 391,000
Interest on net OPEB asset	(79,000)
Adjustment to annual required contribution	74,000
Annual OPEB cost (expense)	386,000
Contributions made	(221,839)
Decrease in net OPEB asset	164,161
Net OPEB obligation (asset) - beginning	(863,176)
Net OPEB obligation (asset) - ending	$ (699,015)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Period Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation/ (Asset)
March 31, 2014	265,000	65%	(1,003,925)
March 31, 2015	298,000	53%	(863,176)
June 30, 2016	386,000	57%	(699,015)

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, 2016:

Description		Balance
Actuarial accrued liability (AAL)	$	4,612,000
Value of plan assets		2,727,487
Unfunded actuarial accrued liability (UAAL)	$	1,884,513
Funded ratio (actuarial value of plan assets/AAL)		59%
Projected covered payroll (active Plan members)	$	11,049,000
UAAL as a percentage of covered payroll		17%

Actuarial Methods and Assumptions

The ARC was determined as part 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 biannually 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 8 - 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 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 3-year period from July 1, 2008 through July 1, 2011. Each member of CAL JPIA has a $10,000,000 aggregate limit during the 3-year policy term.

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 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 promises 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. Special Event Tenant User Liability Insurance. The District participates in the special events program of CAL JPIA which provides liability insurance when District promises 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 is provided to vendors/contractors who otherwise could not contract with the District as they could not meet the minimum insurance requirement: $1 million per occurrence, $1 million in aggregate.

NOTE 9 - 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, 2016.

NOTE 10 - 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 September 22, 2016, the District issues $57 million in bonds called Green Bonds, 2016 Refunding for the purpose of refunding its 2007 promissory note, 2007 Revenue Refunding Bonds and a portion of its 2011 Revenue Bonds.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The District recorded prior period adjustments for fiscal year 2016 to record the beginning balance of the net pension liability and to record employer contributions made for pensions in fiscal year 2015 as a deferred outflow/(inflow) of resources. The following is a summary of the adjustments made:

Description	Amount
Net position - beginning	$ 321,125,064
Prior period adjustments:	
Deferred outflows/(inflows)	(1,941,438)
Net pension liabilities	(9,848,203)
Net position - beginning, adjusted	$ 309,335,423

REQUIRED SUPPLEMENTARY INFORMATION

Attachment 1

DRAFT

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fifteen Month Period Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive -
	Original	Final	(GAAP Basis)	(Negative)
Revenues:				
Property taxes	$ 36,305,000	$ 45,430,000	$ 43,203,891	$ (2,226,109)
Grant income	451,000	451,000	222,660	(228,340)
Property management	1,586,500	1,586,500	1,635,889	49,389
Investment earnings	145,000	145,000	453,540	308,540
Other revenues	175,000	175,000	643,849	468,849
Total revenues	38,662,500	47,787,500	46,159,829	(1,627,671)
Expenditures:				
Current				
Salaries and employee benefits	15,393,844	21,281,262	22,077,184	(795,922)
Services and supplies	5,789,463	7,567,138	6,147,083	1,420,055
Capital outlay	4,702,245	6,891,245	242,376	6,648,869
Total expenditures	25,885,552	35,739,645	28,466,643	7,273,002
Excess (deficiency) of revenues over (under) expenditures	12,776,948	12,047,855	17,693,186	5,645,331
Other financing sources (uses):				
Proceeds from bond issuances	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(29,850,724)	(32,200,206)	(12,145,558)	20,054,648
Total other financing sources (uses)	(29,850,724)	(32,200,206)	(12,145,558)	20,054,648
Net change in fund balance	(17,073,776)	(20,152,351)	5,547,628	25,699,979
Fund balance beginning	43,432,161	43,432,161	43,432,161	-
Fund balance ending	$ 31,607,222	$ 28,528,647	$ 54,228,626	$ 25,699,979

Midpeninsula Regional Open Space District

Schedule of Pension Plan Contributions

June 30, 2016

	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 1,343,244	$ 1,461,069
Contributions in Relation to Actuarially Determined Contributions	1,428,427	1,480,508
Contribution Deficiency (Excess)	(85,183)	(19,439)
Covered Employee Payroll	**$ 15,519,041**	**$ 15,112,947**
Contributions as a Percentage of Covered Payroll	**9.20%**	**9.80%**

Notes to Schedule:

Valuation Date:	June 30, 2014
Assumptions Used:	Entry Age Method used for Actuarial Cost Method
	Level Percentage of Payroll (Closed) Used Amortization Method
	3.8 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 two years are shown.

Midpeninsula Regional Open Space District

Schedule of Net Pension Liability Proportionate Shares

June 30, 2016

	2016	2015
District's Proportion of Net Pension Liability	0.41627%	0.39847%
District's Proportionate Share of Net Pension Liability	$ 11,420,125	$ 9,848,203
District's Covered Employee Payroll	$ 15,519,041	$ 15,112,947
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**73.59%**	**65.16%**
Plan's Fiduciary Net Position as a % of the TPL	**73.93%**	**76.19%**

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

Midpeninsula Regional Open Space District

Schedule of Funding Progress – Other Postemployment Benefits

June 30, 2016

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%	11,049,000	18.93%

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 7 may be different than the projections included in the actuarial studies.

SUPPLEMENTARY INFORMATION

Midpeninsula Regional Open Space District
Measure AA Bond Program
Schedule of Program Expenditures
June 30, 2016

Project No.	Project Description	Expenditures from April 1, 2015 through June 30, 2016	Expenditures from Inception through June 30, 2016
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	$ -	$ 22,603
20088	POST Hendry's Creek Restoration (MAA 22-1)	645	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)	-	(98,300)
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	3,625	34,196
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	6,020	17,646
31310	Mt Um Summit Restor & Improv (MAA 23-4)	30,815	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)	21,901	108,788
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	60,971	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	6,315	6,315
AA02	Bayfront Habitat Protection & Public Access Partnerships	74,834	74,834
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	13,180	375,680
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	308,684	308,684
AA05	La Honda Creek - Upper Recreation Area	1,872,574	1,892,574
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	9,684,188	9,684,188
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	66,241	66,241
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	(12,982)	2,487,018
AA17	Regional: Complete Upper Stevens Creek Trail	27,338	1,497,338
AA19	El Sereno Dog Park & Connections	715	715
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	90,038	90,038
AA21	CR:Pub Recreation Proj	330,410	330,410
AA22	Cathedral Oaks Public Access & Conservation	520,364	520,364
AA23	Mt Um Pub Access/Intrep	2,785,549	2,785,549
AA24	Rancho de Guadalupe Family Recreation	300,056	300,056
AA25	Loma Prieta Area Public Access	400,000	410,000
	Total MAA Bond Project Expenditures	16,591,481	21,839,867
	Reimbursements from Grants and Contributions	-	(970,970)
	Total MAA Bond Project Expenditures - Net Reimbursements	$ 16,591,481	$ 20,868,897

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 January 2016, Midpen has acquired 1,003 acres of land with $12,842,500 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 financial statements of the District as of and for the period ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2016.

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 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

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Chavan & Associates, LLP
Certified Public Accountants

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

September 10, 2016
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com