Midpeninsula Regional
Open Space District

R-19-150
Meeting 19-29
November 20, 2019

SPECIAL MEETING AGENDA ITEM 2

AGENDA ITEM

Fiscal Year 2019 Annual Financial Report

GENERAL MANAGER'S RECOMMENDATIONS

1. Review and accept the Fiscal Year 2019-20 (FY19) Annual Financial Report.

2. Adopt a resolution approving the transfer of a total of $6 million from the General Fund Unassigned Fund balance as follows:
   a. $4.6 million to Committed for Infrastructure Fund; and
   b. $1.4 million to the Assigned Fund for Ongoing Capital Projects;

   And the transfer of $3 million from the Committed for Natural Disasters to the Committed for Capital Maintenance & Repair Fund

3. Approve updates to Board Policy 3.07, *Fund Balance Policy*, reflecting the changes noted above and to incorporate other important updates.

SUMMARY

Fiscal Year ending June 30, 2019 (FY19) expenditures totaled $92.7 million, which is 5% below the final adjusted budget of $97.8 million. The Board of Directors (Board) adopted the final adjusted budget on May 15, 2019 (R-19-55). Revenue for FY19 totaled $62.1 million, or 2% above the final projected revenue. An additional $13.8 million was drawn on Measure AA bond funding.

The Unassigned Fund balance is approximately $6 million more than the minimum fund balance requirement of 30% of budgeted tax revenue. To ensure adequate funding for facility and other infrastructure needs, as well as costly maintenance repairs of District capital assets, the General Manager and Controller recommend a total of $6 million be transferred as follows: $4.6 million to the Committed for Infrastructure Fund and $1.4 million to the Assigned Fund for Ongoing Capital Projects.

Furthermore, upon review of GASB Statement No. 54 (Fund Balance Reporting), as well as comments received from the Government Finance Officers Association during the GFOA feedback on best practices, a transfer of $3 million from the Committed for Natural Disasters Fund to the Committed for Capital Maintenance & Repair Fund is recommended. Under GASB Statement No. 54, committed fund balances should include amounts "that can be used *only for the specific purposes* determined by a formal action of the government's highest level of decision-making authority". In this context, the use of funds for a natural disaster is too broad to meet the GASB definition of a committed balance *for a specific purpose*. Staff consulted with the District's external auditor who supports the recommendation under both GASB and GFOA best practices.

Compared to five years ago, the amount of infrastructure, structures, and improvements has more than doubled to over $49 million from $21 million. As the District continues to meet its Measure AA commitments by expanding its assets that require ongoing repair and future replacement, this transfer will provide a prudent level of reserves to fund future maintenance and replacement actions. In parallel, a provision has been added to the Committed for Capital Maintenance & Repair Fund stating that this fund may be used as a funding source for major capital repairs and repairs arising from natural disasters, and that assets include both built (trails, bridges, parking areas) and natural infrastructure (streams, forests, ponds).

The recommended transfers of funds are listed below:

Committed for Infrastructure Fund	$4.6 million
Assigned Fund for Ongoing Capital Projects	$1.4 million
Committed for Capital Maintenance & Repair Fund	$3.0 million

To align with the establishment of the Section 115 Trust for funding the District's ongoing unfunded pension liability, a new restricted fund is added to the Fund Balance Policy (Attachment 3).

DISCUSSION

Revenues

The estimated General Fund revenue for FY19 was $53.2 million. As of June 30, 2019, the District's actual total General Fund revenue came to $54.0 million, which is 1.5% above the revenue estimate. In addition, Measure AA bond funds provided $13.8 million for capital improvement projects within the 25 portfolios.

Expenditures

The District ended the year with total expenditures of $92.7 million, which is approximately $5.1 million or 5.2% below the final adjusted budget. Excluding capital expenditures and debt service, total expenditures were $31.7 million, which is $2.7 million, or approximately 8% below the final adjusted budget. The District's FY19 total expenditures remained within the approved budget. Expenditures by category are listed in Table 1A and by fund in Table 1B.

Table 1A – District Budget & Expenditures by Category

DISTRICT EXPENDITURES (All Fund)	FY19 Adopted Budget	FY19 Final Adjusted Budget	FY19 Year-End Actuals	$ Change from FY19 Final Adjusted Budget	% Spent of FY19 Final Adjusted Budget
Salaries and Benefits	$ 24,107,256	$ 23,968,256	$ 23,626,895	$ (341,361)	99%
Services and Supplies	$ 11,547,025	$ 10,460,265	$ 8,090,095	$ (2,370,170)	77%
Total Operating Expenditures	**$ 35,654,281**	**$ 34,428,521**	**$ 31,716,990**	**$ (2,711,531)**	92%
Capital/Fixed Asset Expenditures	$ 52,073,177	$ 47,745,280	$ 45,355,657	$ (2,389,623)	95%
Debt Service	$ 15,670,990	$ 15,670,990	$ 15,670,988	$ (2)	100%
Total Non-Operating Expenditures	**$ 67,744,167**	**$ 63,416,270**	**$ 61,026,645**	**$ (2,389,625)**	**96%**
TOTAL DISTRICT EXPENDITURES	**$ 103,398,448**	**$ 97,844,791**	**$ 92,743,635**	**$ (5,101,156)**	**95%**

Table 1B – District Budget & Expenditures by Fund

DISTRICT EXPENDITURES (By Fund)	FY19 Adopted Budget	FY19 Final Adjusted Budget	FY19 Year-End Actuals	$ Change from FY19 Final Adjusted Budget	% Spent of FY19 Final Adjusted Budget
Fund 10 - General Fund Operating	$ 33,539,934	$ 33,485,935	$ 31,314,408	$ (2,171,527)	94%
Fund 20 - Hawthorn Fund	$ 121,500	$ 53,500	$ 30,888	$ (22,612)	58%
Fund 30 - Measure AA Capital	$ 14,826,024	$ 12,660,082	$ 10,871,866	$ (1,788,216)	86%
Fund 40 - General Fund Capital	$ 39,240,000	$ 35,974,284	$ 34,855,485	$ (1,118,799)	97%
Fund 50 - Debt Service	$ 15,670,990	$ 15,670,990	$ 15,670,988	$ (2)	100%
TOTAL DISTRICT EXPENDITURES	**$ 103,398,448**	**$ 97,844,791**	**$ 92,743,635**	**$ (5,101,156)**	95%

Fund Balance

Before budget adjustments, the General Fund Unassigned Fund Balance increased by $6.2 million from $16.3 million to $22.5 million. The District's Fund Balance policy, as adopted by the Board of Directors on October 26, 2016, states that the District is required to maintain a minimum unassigned fund of 30% of budgeted tax revenues. The budgeted tax revenue for FY2020 is $52,055,000, requiring the District to maintain a minimum General Fund Unassigned Fund Balance of $15,616,500.

The General Manager and Controller recommend a transfer of a total of $6 million from the Unassigned Fund Balance, and $3 million from the Committed for Natural Disasters to the following funds:

Committed for Infrastructure Fund	$4.6 million
Assigned Fund for Ongoing Capital Projects	$1.4 million
Committed for Capital Maintenance & Repair Fund	$3.0 million

The recommended transfer of funds to Committed for Infrastructure will set aside additional reserve funds for the completion of the ongoing facility infrastructure projects at 5050 El Camino and the South Area Field Office (Cristich). The transfer from the Committed for Natural Disasters will align to best practice recommendations of the GFOA and the spirit of the definition of committed funds as outlined in GASB Statement No. 54, as well as provide reserves to maintain and repair the growing level of District capital assets, such as trails, parking areas and other infrastructure. After the proposed transfers, the General Fund Unassigned Fund Balance will be approximately $16.5 million, which is $0.9 million above the required $15,616,500 (30% of FY20 projected property tax revenues). A summary of the balances for all District funds as of June 30, 2019 is shown in Table 2:

Table 2 – District Fund Balances (All Governmental Funds)

Fund	Balance as of 6/30/2019	Transfer	*Balance - proposed*	Minimum Required GF Unassigned Fund Balance	Balance Above Minimum Required
Nonspendable for prepaid expenditures	$ 185,984		$ 185,984	N/A	N/A
Restricted for debt service	$ 6,775,924		$ 6,775,924	N/A	N/A
Restricted for Measure AA Projects	$ 37,944,253		$ 37,944,253	N/A	N/A
Restricted for Hawthorn maintenance	$ 1,431,717		$ 1,431,717	N/A	N/A
Restricted for General Fund Capital Projects	$ 8,254,539		$ 8,254,539	N/A	N/A
Committed for Equipment Replacement	$ 3,000,000		$ 3,000,000	N/A	N/A
Committed for Natural Disasters	$ 3,000,000	$ (3,000,000)	$ -	N/A	N/A
General Fund Unassigned Fund	$ 22,515,392	$ (6,000,000)	$ 16,515,392	$ 15,616,500	$ 898,892
Committed for Capital Maintenance & Repairs	$ 2,000,000	$ 3,000,000	$ 5,000,000	N/A	N/A
Committed for Future Acquisitions & Capital Projects	$ 3,000,000		$ 3,000,000	N/A	N/A
Committed for Promissory Note	$ 600,000		$ 600,000	N/A	N/A
General Fund Infrastructure Reserve Fund	$ 13,088,465	$ 4,600,000	$ 17,688,465	N/A	N/A
Assigned for ongoing capital projects	$ -	$ 1,400,000	$ 1,400,000	N/A	N/A
	$ 101,796,274	**$ -**	**$ 101,796,274**	**$ 15,616,500**	**$ 898,892**

Operating Expenditures

Salaries and benefits ended the year at $20.0 million, or 4% below the final adjusted budget. This included a $2,000,000 contribution to the Section 115 Trust established as an investment vehicle to make prepayments towards the District's unfunded pension liability. Salary savings were due to several vacancies during the course of the fiscal year. Expenditures for Services and Supplies were $8.1 million or 23% below budget primarily due to lower than budgeted spending in contract and outside services in most departments. In addition, a number of maintenance projects were deferred and re-budgeted in FY20.

Fixed Assets and Capital Projects

Capital projects ended the year at $10.4 million, or approximately 21% below the final adjusted budget. Capital project delays were associated with the following factors:

- Permitting delays from regulatory agencies and local jurisdictions
- Staff vacancies
- Additional scope/tasks that extended the project schedule
- Unpredictable weather patterns that delayed field/construction work
- Difficulties securing quality contractors due to competitive construction market

Land and Associated Costs

During the FY19, the District purchased and preserved approximately 193 acres of open space land at a total cost of $2.3 million. Highlights of land additions include:

- 190 acre Folger Property (Woodruff Redwoods), La Honda Creek Open Space Preserve
- 1.87 acre Haight-Peery Property, El Sereno Open Space Preserve
- 1.04 acre Cogliandro Property, Sierra Azul Open Space Preserve

In addition to the land preservation, the District also acquired the underlying land associated with the purchase of the 5050 El Camino building. The total appraised value equaled the purchase price of $31.5 million, with the appraisal assigning a value of $20.1 million to the underlying land and $11.4 million to the building.

Long-Term Debt and Debt Service

Debt service expenses in FY19 totaled $15.7 million, consisting of $6.5 million in principal, $9.2 million in interest. The total also includes $3.8 million for debt service on Measure AA General Obligation bonds.

Past Budget Performance

Table 3 below presents a comparison of FY19 budget performance to the prior three fiscal years. The operating budget expenditures have historically ranged between 86% and 99% of the actual operating budget. The FY19 operating expenses include a one-time $2,000,000 CalPERS pre-payment towards the District's unfunded pension liability. During FY19, there were a large number of vacancies due to the retirement of several positions, which generated larger than usual salary savings.

Beginning in FY17, land acquisitions are funded through budget amendments at the time the Board considers the purchase. The new approach reflects the opportunistic nature of land purchases, which are not guaranteed until an offer is accepted, the purchase approved, and escrow closed. This combined with improved focus on project delivery should lead to a more predictable overall budget utilization rate over the longer term

Table 3 – Past Performance

DISTRICT EXPENDITURES	FY16	FY17	FY18	FY19
Operating Expenses	98%	94%	90%	90%
Strategic Plan/Vision Plan	N/A	N/A	N/A	N/A
Capital (CAPEX)	66%	99%	79%	79%
Land & Assoc. Costs	71%	101%	92%	92%
Property Management	74%	N/A	N/A	N/A
Debt Service	98%	112%	102%	100%
TOTAL EXPENDITURES	**86%**	**99%**	**90%**	**97%**

Hawthorn Fund

The FY19 expenditures from the Hawthorn Fund totaled $30,888, which is 42% below the final adjusted budget of $53,500 (Table 4). Roof repairs, vegetation management/clearing and basic ongoing maintenance were completed in FY19.

Table 4 – Hawthorn Fund Budget and Expenditures

Budget Category	FY19 Adopted Budget	FY19 Final Adjusted Budget	FY19 Year-End Actuals	$ Change from FY19 Final Adjusted Budget	% Spent of FY19 Final Adjusted Budget
Operating Expenses	$ 38,500	$ 53,500	$ 30,888	$ (22,612)	58%
Capital Expenses	$ 83,000	$ -	$ -	$ -	N/A
HAWTHORN TOTAL	**$ 121,500**	**$ 53,500**	**$ 30,888**	**$ (22,612)**	**58%**

The Hawthorn Endowment Fund balance as of June 30, 2019 is $1.60 million.

FISCAL IMPACT

Approval of the proposed Fund Balance transfer results in a net-zero change to the General Fund, decreasing the General Fund Unassigned Fund by $6 million and increasing the total of the two committed funds (Infrastructure and Assigned for Ongoing Capital Projects) by the same total of $6 million. The $3 million transfer is also net-zero, increasing the Capital Maintenance & Repair Fund to $5 million and decreasing the Natural Disaster Fund to zero.

Table 5 – Proposed Fiscal Impact

Fund	Balance as of 6/30/2019	Transfer	*Balance - proposed*	Minimum Required GF Unassigned Fund Balance	Balance Above Minimum Required
General Fund Unassigned Fund	$ 22,515,392	$ (6,000,000)	$ 16,515,392	$ 15,616,500	$ 898,892
Committed for Capital Maintenance Fund	$ 2,000,000	$ 3,000,000	$ 5,000,000	N/A	N/A
Committed for Natural Disasters	$ 3,000,000	$ (3,000,000)	$ -		
General Fund Infrastructure Reserve Fund	$ 13,088,465	$ 4,600,000	$ 17,688,465	N/A	N/A
Assigned for Ongoing Capital Projects	$ -	$ 1,400,000	$ 1,400,000	N/A	N/A

BOARD COMMITTEE REVIEW

There was no prior Board Committee review for this agenda item.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act. No additional notice is required.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

With acceptance of the audited financial statements, staff will work with Chavan & Associates to complete the Comprehensive Annual Financial Report (CAFR) distribution to the Board and District stakeholders, as well as submission to the Government Finance Officers Association award program.

Attachments:
1. Annual Financial Report for the Fiscal Year Ending June 30, 2019
2. Resolution approving the transfer of funds into the Committed Capital Maintenance & Repairs Fund, Committed for Infrastructure and Assigned for Ongoing Capital Projects Fund
3. Revised Board Policy 3.07, Fund Balance Policy

Responsible Department Head:
Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by: Andrew Taylor, Finance Manager

Attachment 1

Midpeninsula Regional Open Space District

Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2019

MIDPENINSULA REGIONAL OPEN SPACE

Managing nearly 65,000 acres of public open space land in 26 preserves across parts of San Mateo, Santa Clara and Santa Cruz counties

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Midpeninsula Regional Open Space District

Prepared by:
Finance and Administrative Services

MIDPENINSULA
REGIONAL
OPEN
SPACE

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Introductory Section

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Midpeninsula Regional Open Space District
Santa Clara County
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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Comprehensive Annual Financial Report
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Midpeninsula Regional OpenSpace | Midpeninsula Regional Open Space District

Midpeninsula Regional Open Space District
330 Distel Circle
Los Altos, California 94022

November 20, 2019

Members of the Board of Directors and Midpen Constituents:

The Comprehensive Annual Financial Report (CAFR) of the Midpeninsula Regional Open Space District (District) for the year ended June 30, 2019 is hereby submitted.

The CAFR has been prepared by the Finance Department in compliance with the principles and standards for financial reporting promulgated by the Governmental Accounting Standards Board (GASB). The CAFR consists of District management's representations concerning the finances of the District. Management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures, and believes the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the District.

The District's accounting records for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when both measurable and available, and expenditures being recorded when the services or goods are received and the liabilities are incurred.

District management has established a comprehensive framework of internal controls designed both to protect the District's assets from loss, theft, or misuse; and to compile sufficiently reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the District has designed its controls to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. The CAFR has been audited by the independent certified public accounting firm of Chavan & Associates, LLP. The independent certified public accounting firm has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2019.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. This letter of transmittal serves as a complement to the MD&A and should be read in conjunction with it.

MIDPENINSULA REGIONAL OPEN SPACE DISTRICT PROFILE

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 the County of Santa Clara. In June 1976, the southern and eastern portions of the County of San Mateo were annexed to the District. The District annexed three parcels located in the northern tip of Santa Cruz County in 1992, but the 1% *ad valorem* property tax is not levied on this land for the benefit of the District. In September 2004, the District completed the Coastside Protection Program, which extended the District boundaries to the Pacific Ocean in the County of San Mateo County, from the southern borders of the City of Pacifica to the San Mateo/Santa Cruz County line. The District also does not receive any portion of the 1% *ad valorem* property tax for the Coastside area.

The District's jurisdiction encompasses over 550 square miles of land in the County of Santa Clara (approximately 200 square miles), the County of San Mateo (approximately 350 square miles) and the County of Santa Cruz County (approximately 2.6 square miles). The Counties of Santa Clara and San Mateo are referred to together as the "Counties." As of the 2010 decennial census, approximately 720,000 people lived within the boundaries of the District.

The District has preserved nearly 64,000 acres of public land and manages 26 open space preserves within its mission *to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education.* On the rural San Mateo County Coast, the mission also includes *to acquire and preserve in perpetuity agricultural land of regional significance, preserve the rural character, and encourage viable agricultural use of land resources.*

A seven-member Board of Directors (Board), elected by individual ward, establishes policies for the District. Specifically, the Board sets general operating objectives for the District, authorizes debt issuance, monitors financial and long-range planning, establishes policies governing conditions of employment, and sets policies to protect and enhance the natural and cultural resources of the District. Members of the Board of Directors are elected for staggered four-year terms. The Board appoints a General Manager to serve as the District's chief executive officer. The General Manager provides direction and leadership to all District departments, and ensures that all District policies are implemented.

The District is a legally separate and fiscally independent entity from other government agencies, which may also provide governmental services within the same geographic area. The CAFR includes all funds of the District. There are no separate or legal entities or component units included in the financial statements of the District, however the District does have a blended component unit included in its financial statements. In 1996, the District and Santa Clara County established the Midpeninsula Regional Open Space District Financing Authority (Authority) to help the District finance improvements by acquiring land to preserve and use as open space in cooperation with the District. The President of the District's Board of Directors is also the Chairperson of the Authority. Three District Directors and a Supervisor from Santa Clara County are also on the Authority Board. In effect, the Authority operates in tandem with the District.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment in which the District operates.

State and Local Economy

The California economy continues to out-perform the nation as a whole with steady growth. Many of the key economic indicators continue to contribute to a positive economic outlook: unemployment at historical lows, continuing growth in GDP, and stable inflation. In its most recent report for Fall 2019, Beacon Economics report shows that job growth in the South Bay area continues to expand at a rate much higher than the state average, with the flagship technology sector recording 3.7% job growth from August 2018 to August 2019 as compared to 1.8% for the state as a whole. The two main challenges to the Bay Area economy remain housing affordability and the lack of investment in aging infrastructure that is being further strained by population and job growth.

Both Santa Clara and San Mateo Counties have been outperforming the California and U.S. economies in recent years and continue to do so. The Bureau of Economic Analysis reported a 2.9 percent growth in 2018 and 1.9 percent through the first three quarters of 2019. GDP growth for the Silicon Valley metropolitan area (San José-Sunnyvale-Santa Clara) increased by a significant 7.6 percent in 2017 (latest available data) compared to the average U.S. metro area growth of 2.1 percent.

The District's boundaries encompass a large swath of Silicon Valley, which continues to be the world's premier location for the technology industry with a long culture of entrepreneurship and innovation. The District historically derives two-thirds of its general fund property tax revenue from Santa Clara County and one-third from San Mateo County (excluding the coastside).

The real estate market in the both San Mateo and Santa Clara Counties continue to demonstrate strong demand in both the residential and commercial sectors. For Fiscal Year (FY) 2019-2020, the Santa Clara County Assessor's Office reported that the assessment roll increased by 6.79 percent, to a total of $516 billion. Similarly, San Mateo County reported that the total value of assessed properties increased by 7.10 percent for FY 2019-20. Total assessments within the District's boundaries increased by 7.9 percent for FY 2018-19. Over the past 10 years, the District's general fund property tax revenues have increased by an annual average of 6.87 percent.

The assessor's office of both counties reported continued strength in the growth of assessed value with the 2019-2020 property tax rolls. However, both assessors are signaling a note of caution as residential home prices start to flatten in face of the well-publicized affordability issues, as well as the potential impact of recent changes to federal tax laws. Commercial development is still strong, though may face headwinds from global trade uncertainties and the polarized national political climate heading into the 2020 elections.

According to the Federal Reserve Bank of St. Louis, personal income levels as of 2017 (the most recent year for which county data is available) show per capita income of $98,032 for Santa Clara and $113,410 for San Mateo, which are significantly above $60,156 for the State and $51,869 for the nation.

Employment growth remains strong with unemployment rates now at historic lows. According to the California Employment Development Department, the Bay-Peninsula region continues to have the lowest unemployment rate in the State and experienced the fastest job growth of any region in the State during the historic economic expansion beginning in July 2010. Unemployment rates in Santa Clara and San Mateo were 2.8 percent and 2.4 percent respectively as of June 2018, comparing to rates of 4.2 percent for the State and 4.0 percent for the nation. The strong job market spans all sectors, with particular strength in technology and construction.

While the overall economic indicators remain positive, the District is continuing to develop prudent spending plans, providing the financial resources to deal with a potential recession. The aforementioned housing affordability crisis and tight labor market continue to present challenges for the hiring and retention of employees. Construction costs for capital projects are still increasing at a more rapid pace compared to the general inflation and the remote locale of District projects lead to a smaller pool of contractors willing to bid on projects. The District is addressing this issue through doing more in-house design/build and through greater outreach to the contractor community.

Major Initiatives

In the 2018-19 Fiscal Year, the District has achieved the completion of major projects and actions, including the following:

- Opened *Bear Creek Redwoods Preserve* to the public in June 2019, improvements include:
  - New parking lot, vault toilet restroom, ADA pathway around Upper Lake, new bridge installation, and 6 miles of new and improved trails. Completed design, fabrication and installation of two interpretive signs for the new Alma College parking area and Upper Lake area.
  - Worked with GIS, Visitor Services, and Public Affairs to complete design, content, and web development of "Layers of History" online story map at www.openspace.org/bcrstory, educating the public on the area's rich history, which reached over 800 users in two months.
- Completed new section of Oljon Trail to provide a new loop trail opportunity from the parking lot and completed majority of the restoration of an eroded, unsustainable section of the Steam Donkey Trail, with poor access off Skyline Boulevard at *El Corte de Madera Preserve*.
- Continued major actions to close a 0.6-mile gap in the San Francisco Bay Trail at *Ravenswood Preserve* and assisted the City of East Palo Alto in developing the adjacent Cooley Landing Park
- Received Board approval of the District's Climate Action Plan to meet the adopted Climate Change Goals of 20% reduction in operational greenhouse gas emissions from 2016 levels by 2022, 40% by 2030 and 80% by 2050. Began implementation of the plan by changing fuel tanks to renewable diesel, purchasing 100% renewable electricity for offices, acquiring electric bikes and UTV for field staff, and purchasing carbon offsets for business flights. Completed the 2018 Greenhouse Gas emissions inventory. Held initial talks on a carbon sequestration pilot project with the San Mateo Resources Conservation District
- Continued the Highway 17 Wildlife and Regional Trail Crossings project, identifying and analyzing additional crossing alternatives in response to partner, stakeholder and public comments. Drafted the project study report and received Caltrans initial comments. Held meetings with project partners and stakeholders (Caltrans, San Jose Water Company, Committee for Green Foothills, National Wildlife Federation) and a 2nd public meeting to receive input on the alternative wildlife crossings.
- Constructed two new pedestrian bridges on the Stevens Creek Nature Trail in *Monte Bello Preserve;* removed a failing old bridge and restored the construction area. These bridges will allow the use of the Stevens Creek Nature Trail throughout the winter.
- Continued implementation of critical Financial and Operational Sustainability Model Study recommendations to enhance the delivery of Measure AA and Vision Plan projects, including the launch of the Work Order & Asset Management System, as well as Project Central as a SharePoint solution for monitoring and managing District projects.
- Leveraged the use of Measure AA bond funding through successful grant application totaling over $1.5 million.
- Acquired 192.91 acres of open space lands valued at nearly $3 million.

Relevant Financial Policies

Budget Policy
The District follows best practices in budgeting, including: assessment of constituent needs, development of long range plans, adherence to budget preparation and adopted procedures, monitoring of performance, and adjustment of the budget as required. The District budget is divided into four categories: Operating Budget, Capital Budget, Land and Associated Costs, and Debt Service. The budget is prepared and adopted on a cash-basis, whereas the annual financial statements are prepared on a modified accrual basis. The budget can be amended during the year, in accordance with the Board Budget and Expenditure Policy, which states that increases to any of the four budget categories must be approved by the Board.

Investment Policy
The District's Investment Policy is adopted annually, in accordance with State law. The policy provides guidance and direction for the prudent investment of District funds to safeguard the principal of invested funds and achieve a return on funds while ensuring the liquidity needs of the District. The ultimate goal is to maximize the efficiency of the District's cash management system, and to enhance the economic status of the District, while protecting its pooled cash.

The investment of funds is governed by the California Government Code Section 53601 et seq., and by California Government Code Section 53630 et seq. Funds on deposit in banks must be federally insured or collateralized in accordance with the provisions of California Government Code Section 53630 et seq.

Fund Balance Policy
The Board of Directors adopted the Fund Balance Policy in 2014, and updated the Policy in 2016 to achieve the following goals: provide adequate funding to meet the District's short-term and long-term plans; provide funds for unforeseen expenditures related to emergencies, such as natural disasters; strengthen the District's financial stability against present and future uncertainties, such as economic downturns and revenue shortfalls; and maintain an investment-grade bond rating. This policy has been developed with the counsel of the District's independent auditors, to meet the requirements of GASB 54.

The components of the District fund balances are as follows:

- **Non-Spendable** fund balance includes amounts that cannot be spent either because they are not in spendable form, e.g. prepaid insurance, or because of legal or contractual constraints. At all times, the District shall hold fund balance equal to the sum of its non-spendable assets.
- **Restricted** fund balance includes amounts that are constrained for specific purposes, which are externally imposed by constitutional provisions, enabling legislation, creditors, or contracts.
- **Committed** fund balance includes amounts that are constrained for specific purposes that are internally imposed by the District Board of Directors. Funds spent from committed funds shall be reimbursed from the general fund within two years.
- **Assigned** fund balance includes amounts that are intended to be used for specific purposes that are neither restricted nor committed. Such amounts may be assigned by the General Manager if authorized by the Board of Directors to make such designations. Projects to be funded by assigned funds require the approval of the General Manager. Funds spent from assigned funds shall be reimbursed from the general fund within two years.
- **Unassigned** fund balance includes amounts within the general fund which have not been classified within the above categories. The Board shall designate the minimum amount of unassigned fund balance, which is to be held in reserve in consideration of unanticipated events that could adversely affect the financial condition of the District and potentially jeopardize the continuation of necessary public services. The current minimum unassigned fund balance is 30% of the Budgeted General Fund Tax Revenue.

Debt Management Policy
The Board of Directors adopted a debt management policy on July 12, 2017. The stated purpose of the Debt Management Policy is to establish the overall parameters for issuing, structuring, and administering the debt of the District in compliance with applicable federal and State securities laws. The Debt Management Policy was developed in conjunction with the procedures for Initial and Continuing Disclosure Relating to Bond Issuances, with the latter ensuring that statements or releases of information to the public and investors relating to the finances of the District are complete, true, and accurate in all material respects.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to the District for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018. This was the second year that the District received this prestigious national award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. To receive the award, the District must publish a Comprehensive Annual Financial Report that is easily readable and efficiently organized, and the contents of the report must conform to program standards and satisfy generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for one year. We believe that our current report continues to conform to the Certificate requirements, and we are submitting it to the GFOA for another award of the certificate.

ACKNOWLEDGEMENTS

The preparation of this Comprehensive Annual Financial Report could not have been completed without the efforts and contributions of its Finance staff, as well as other departments across the District. Management also wishes to acknowledge the invaluable assistance of Chavan & Associates, the District's independent auditors who contributed to the preparation of this Comprehensive Annual Financial Report.

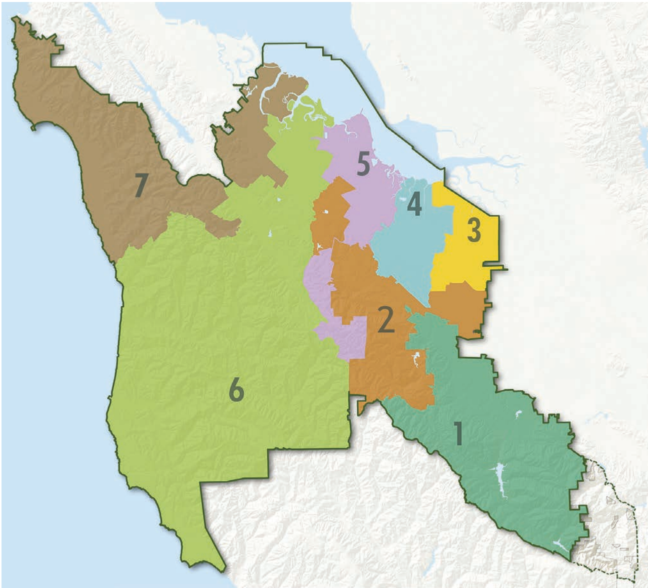
Lastly, we wish to acknowledge the District's Board of Directors for their continued interest and support of the District's effort to improve and strengthen its financial operations and reporting.

Respectfully submitted,

Ana Ruiz
General Manager

Stefan Jaskulak
Chief Financial Officer/
Director of Administrative Service

Board of Directors & Management



District Wards

Left to right: Zoe Kersteen-Tucker, Curt Riffle, Yoriko Kishimoto, Jed Cyr, Karen Holman, Larry Hassett, Pete Siemens.

Pete Siemens–**Board President**	Ward 1: Cupertino, Los Gatos, Monte Sereno, Saratoga
Yoriko Kishimoto–**Board Treasurer**	Ward 2: Cupertino, Los Altos, Los Altos Hills, Palo Alto, Stanford, Sunnyvale
Jed Cyr	Ward 3: Sunnyvale
Curt Riffle	Ward 4: Los Altos, Mountain View
Karen Holman–**Board Vice President**	Ward 5: East Palo Alto, Menlo Park, Palo Alto, Stanford
Larry Hassett	Ward 6: Atherton, La Honda, Loma Mar, Menlo Park, Pescadero, Portola Valley, Redwood City, San Gregorio, Woodside
Zoe Kersteen-Tucker–**Board Secretary**	Ward 7: El Granada, Half Moon Bay, Montara, Moss Beach, Princeton, Redwood City, San Carlos, Woodside

Executive Management

Ana María Ruiz–General Manager
Hilary Stevenson–General Counsel
Mike Foster–Controller

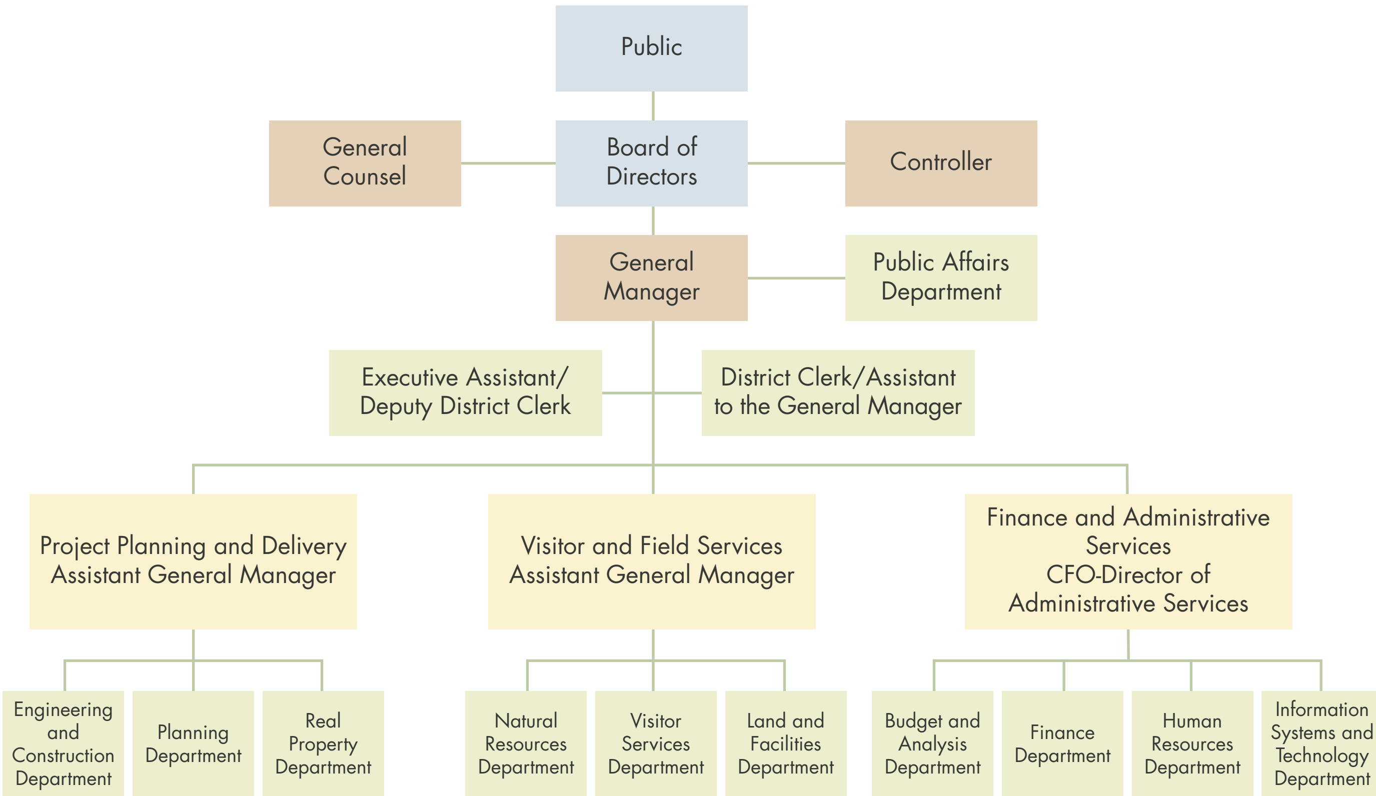
Susanna Chan–Assistant General Manager/Project Planning and Delivery
Brian Malone–Assistant General Manager/Visitor and Field Services
Stefan Jaskulak–Chief Financial Officer/Director of Administrative Services

Mission Statement

The mission of the Midpeninsula Regional Open Space District is to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education.

Attachment 1

Organizational Chart



Midpen At-A-Glance

Founded in 1972

63,927 Acres
(as of June 2019)

243 Miles of Trails

26 Preserves

183 Full-Time Employees

Over 2 Million Visitors Per Year

$74.8 Million Budget

760,000 Residents

Regional Map

MIDPENINSULA REGIONAL OPEN SPACE

1	Bear Creek Redwoods	7	La Honda Creek	13	Pulgas Ridge	19	Sierra Azul	25	Tunitas Creek
2	Coal Creek	8	Long Ridge	14	Purisima Creek Redwoods	20	Skyline Ridge	26	Windy Hill
3	El Corte de Madera Creek	9	Los Trancos	15	Rancho San Antonio	21	St. Joseph's Hill		
4	El Sereno	10	Miramontes Ridge	16	Ravenswood	22	Stevens Creek Shoreline Nature Area		
5	Foothills	11	Monte Bello	17	Russian Ridge	23	Teague Hill		
6	Fremont Older	12	Picchetti Ranch	18	Saratoga Gap	24	Thornewood		

Achievement Award

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Midpeninsula Regional Open Space District, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

MIDPENINSULA REGIONAL OPEN SPACE

Financial Section

CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund for Midpeninsula Regional Open Space District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of

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

June 30, 2019, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund, schedule of pension plan contributions, schedule of net pension liability proportionate share, schedule of contributions for postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, budgetary comparison information for the capital projects funds and the debt service fund, the schedule of program expenditures for the Measure AA Bond Program, and the statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of program expenditures for the Measure AA Bond Program 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 schedule of program expenditures for the Measure AA Bond Program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, budgetary comparison information for the capital projects funds and the debt service fund, and statistical sections included have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
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info@cnallp.com • www.cnallp.com

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019 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

November 11, 2019
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

MIDPENINSULA REGIONAL OPEN SPACE

Management's Discussion and Analysis

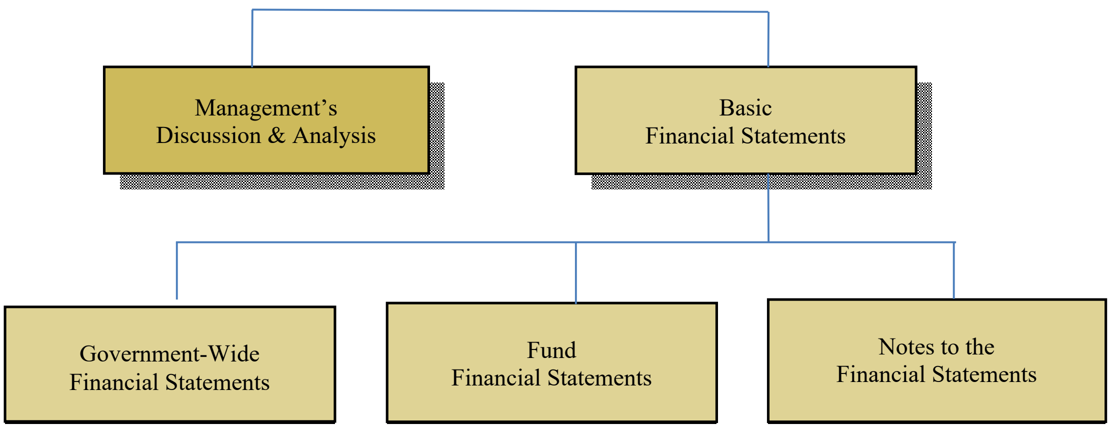
Midpeninsula Regional Open Space District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

INTRODUCTION

The purpose of the Management's Discussion and Analysis (MD&A) is to present a discussion and analysis of the District's financial performance during the year ended on June 30, 2019. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



OVERVIEW AND USE OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2018-2019?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

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

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

FINANCIAL HIGHLIGHTS

As the overall economy continued to grow throughout the Silicon Valley, the District witnessed further strong growth in the assessed valuation of both secured and unsecured property within its boundaries. The 2018-19 assessed valuation reports released in August 2018 showed District-wide assessed values increasing by 7.3% (7.2% in Santa Clara and 7.4% in San Mateo). The District received 67% of its tax revenue from Santa Clara County and 33% from San Mateo County.

Other financial highlights included:

- Tax revenue related to the GO bonds amounted to $5.2 million.
- Purchased $2.2 million in land and associated structures funded through Measure AA GO bond proceeds.
- Purchased a commercial office building and associated land for $31.5 million which will serve as the District's new administrative headquarters.
- The District's Section 115 irrevocable trust for pension liabilities held with the Public Agency Retirement Services (PARS) has a value of $2,531,030 at year end.
- Fully funded the District's other postemployment benefits plan according to the actuarially determined contribution for current year, as noted in the schedule of contribution for postemployment benefits.

The assets of the District exceeded liabilities at the close of the 2019 fiscal year by $367 million. Of this total net position, $351 million, or 96%, was the District's net investment in capital assets (capital assets net of related debt).

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

THE DISTRICT AS A WHOLE

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

Table 1 - Summary of Statement of Net Position

	2019	2018	Change	Percentage Change
Assets				
Current Assets	$ 108,643,304	$ 135,924,361	$ (27,281,057)	-20.07%
Other Noncurrent Assets	562,532	637,906	(75,374)	-11.82%
Capital Assets	504,559,409	462,119,833	42,439,576	9.18%
Total Assets	$ 613,765,245	$ 598,682,100	$ 15,083,145	2.52%
Total Deferred Outflows of Resources	$ 14,826,493	$ 17,804,789	$ (2,978,296)	-16.73%
Liabilities				
Current Liabilities	$ 16,695,948	$ 14,219,357	$ 2,476,591	17.42%
Noncurrent Liabilities	243,049,767	252,063,016	(9,013,249)	-3.58%
Total Liabilities	$ 259,745,715	$ 266,282,373	$ (6,536,658)	-2.45%
Total Deferred Inflows of Resources	$ 1,471,865	$ 1,416,399	$ 55,466	3.92%
Net Position				
Net Investment in Capital Assets	$ 351,151,768	$ 312,120,869	$ 39,030,899	12.51%
Restricted	8,207,641	7,252,294	955,347	13.17%
Unrestricted	8,014,749	29,414,954	(21,400,205)	-72.75%
Total Net Position	$ 367,374,158	$ 348,788,117	$ 18,586,041	5.33%

Total net position increased by $18.6 million, as revenues exceeded expenditures. Current assets decreased due mostly to $45.3 million of capital expenditures.

Table 2 shows the changes in net position for 2019 as compared to period 2018.

Table 2 - Summary of Changes in Net Position

	2019	2018	Change	Percentage Change
Revenues				
Program revenues	$ 3,442,075	$ 3,189,096	$ 252,979	7.93%
General revenues:				
Property taxes	54,395,054	47,798,349	6,596,705	13.80%
Investment earnings	3,627,639	1,045,124	2,582,515	247.10%
Miscellaneous	1,874,272	1,152,611	721,661	62.61%
Total Revenues	63,339,040	53,185,180	10,153,860	19.09%
Program Expenses				
Land preservation	34,304,215	28,909,830	5,394,385	18.66%
Interest	10,448,784	8,193,228	2,255,556	27.53%
Depreciation	-	2,398,894	(2,398,894)	-100.00%
Total Expenses	44,752,999	39,501,952	5,251,047	13.29%
Change in Net Position	18,586,041	13,683,228	4,902,813	35.83%
Adjustment to Beginning Net Position	-	(1,898,023)	1,898,023	100.00%
Beginning Net Position	348,788,117	337,002,912	11,785,205	3.50%
Ending Net Position	$ 367,374,158	$ 348,788,117	$ 18,586,041	5.33%

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)

	2019						
	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total	2018	Percentage Change
Nonspendable for prepaid expenditure	$ 185,984	$ -	$ -	$ -	$ 185,984	$ 35,968	417%
Restricted for debt service	-	-	-	6,775,924	6,775,924	5,791,164	17%
Restricted for Measure AA Projects	-	37,944,253	-	-	37,944,253	46,468,809	-18%
Restricted for Hawthorne maintenance	1,431,717	-	-	-	1,431,717	1,466,982	-2%
Restricted for capital projects	-	-	8,254,539	-	8,254,539	7,043,765	17%
Restricted for pension	2,531,030	-	-	-	2,531,030	-	100%
Committed for infrastructure	17,688,465	-	-	-	17,688,465	44,000,000	-60%
Committed for equipment replacement	3,000,000	-	-	-	3,000,000	3,000,000	0%
Committed for natural disasters	-	-	-	-	-	3,000,000	-100%
Committed for capital maintenance	5,000,000	-	-	-	5,000,000	2,000,000	150%
Committed for future acquisitions and capital projects	3,000,000	-	-	-	3,000,000	3,000,000	0%
Committed for promissory note	600,000	-	-	-	600,000	300,000	100%
Assigned for ongoing projects	1,400,000	-	-	-	1,400,000	-	100%
Unassigned	16,515,392	-	-	-	16,515,392	16,306,537	1%
Total Fund Balance	$ 51,352,588	$ 37,944,253	$ 8,254,539	$ 6,775,924	$ 104,327,304	$ 132,413,225	-22%

Following the District's thirty-year strategic plan, the Board of Directors committed a majority of the unassigned fund balance during fiscal year 2019 to reserves for infrastructure, equipment replacement and capital maintenance. See Note 1 in the notes to the basic financial statements 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 2019, the District revised its General Fund budget, which resulted in an decrease in budgeted expenditures of $122 thousand from the original to final budget. The revenue was revised from $51 million to $53 million due to increases in property taxes and interest earned from investments. A summary of the original and final budget is presented below:

Table 4 - Summary of Original to Final Budgets

	Original Budget	Final Budget	Change	Percent Change
Revenues				
Property taxes	$ 48,122,000	$ 48,919,000	$ 797,000	1.66%
Grant revenues	191,000	191,000	-	0.00%
Property management	1,221,124	1,043,000	(178,124)	-14.59%
Investment earnings	1,079,000	1,949,904	870,904	80.71%
Other revenues	471,738	1,158,498	686,760	145.58%
Total Revenues	51,084,862	53,261,402	2,176,540	4.26%
Expenditures				
Salaries and employee benefits	22,930,309	23,155,369	225,060	0.97%
Services and supplies	10,648,125	10,384,065	(264,060)	-2.54%
Capital outlay	83,000	-	(83,000)	-100.00%
Total Expenses	33,661,434	33,539,434	(122,000)	-0.36%
Net Change in Fund Balance	$ 17,423,428	$ 19,721,968	$ 2,298,540	13.19%

CAPITAL ASSETS

Table 5 shows 2019 capital asset balances as compared to 2018.

Table 5 - Summary of Capital Assets Net of Depreciation

	2019	2018	Change	Percentage Change
Land	$ 437,763,645	$ 414,547,441	$ 23,216,204	5.60%
Construction-in-Progress	16,193,374	8,596,297	7,597,077	88.38%
Structure and Improvements	18,059,730	7,320,057	10,739,673	146.72%
Infrastructure	29,542,214	28,512,084	1,030,130	3.61%
Equipment	1,113,614	989,551	124,063	12.54%
Vehicles	1,886,832	2,154,403	(267,571)	-12.42%
Total Capital Assets - Net	$ 504,559,409	$ 462,119,833	$ 42,439,576	9.18%

Additional detail and information on capital asset activity is described in the notes to the financial statements, note 5.

LONG TERM LIABILITIES

Table 6 summarizes the changes in long-term liabilities from 2019 to 2018.

Table 6 - Summary of Long-term Liabilities

	2019	2018	Change	Percentage Change
Promissory Notes	$ 38,899,934	$ 39,769,276	$ (869,342)	-2.19%
Bonds	199,505,576	205,905,916	(6,400,340)	-3.11%
Net Pension Liability	10,412,478	11,022,824	(610,346)	-5.54%
Net OPEB Liability	1,862,277	1,845,000	17,277	0.94%
Compensated Absences	2,368,387	1,723,930	644,457	37.38%
Total Long-term Liabilities	$ 253,048,652	$ 260,266,946	$ (7,218,294)	-2.77%

Additional detail and information on long-term liabilities activity is described in the notes to the financial statements, note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the District's budget for fiscal year 2019-20 on June 26, 2019. This budget assumes $64.4 million in revenues and a growth in general fund property tax income of 7.75% over the prior year's adopted budget. This budget funds $20.0 million of capital spending, of which $9.5 million is expected to qualify for reimbursement from Measure AA GO bond funds. General Fund operating expenditures are budgeted at $37.0 million, a 10.3% increase over the prior year's budget. Debt service is budgeted at $17.7 million, with $7.3 million related to the Measure AA general obligation bonds. If all revenues, expenditures (including debt service) occur as budgeted, the District's overall cash balances would increase by approximately $0.7 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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MIDPENINSULA REGIONAL OPEN SPACE

Basic Financial Statements

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GOVERNMENT-WIDE STATEMENTS

Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities summarize the entire District's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the District's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis. The effect of all of the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and the District's total liabilities, including all the District's capital assets and all its long-term debt. The Statement of Net Position presents information in a way that focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the District's Governmental Activities in a single column. The District's Governmental Activities include the activities of its General Fund, along with all its Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the District's expenses first, listed by program. Program revenues – that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental program. The District's general revenues are then listed in the Governmental Activities and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the District and the Midpeninsula Regional Open Space District Financing Authority. This entity is legally separate but is a component unit of the District because it is controlled by the District, which is financially accountable for the Authority's activities.

Midpeninsula Regional Open Space District

Statement of Net Position

June 30, 2019

Assets		
Current assets:		
Cash and investments	$	108,106,556
Accounts receivable:		
Interest		158,943
Other		182,269
Taxes receivable		221
Other current assets		195,315
Total current assets		108,643,304
Noncurrent assets:		
Notes receivable		94,182
Unamortized issuance costs		468,350
Non-depreciable capital assets		453,957,019
Capital assets, net of depreciation		50,602,390
Total noncurrent assets		505,121,941
Total Assets	$	613,765,245
Deferred Outflows of Resources		
OPEB adjustments	$	670,768
Pension adjustments		4,760,025
Deferred loss on early retirement of long-term debt		9,395,700
Total Deferred Outflows of Resources	$	14,826,493
Liabilities		
Current liabilities:		
Accounts payable	$	2,516,839
Deposits payable		218,240
Payroll and other liabilities		1,580,921
Accrued interest		2,381,063
Current portion of long-term liabilities		9,998,885
Total current liabilities		16,695,948
Noncurrent liabilities:		
Long-term liabilities - net of current portion		243,049,767
Total Liabilities	$	259,745,715
Deferred Inflows of Resources		
OPEB adjustments	$	92,510
Pension adjustments		1,379,355
Total Deferred Outflows of Resources	$	1,471,865
Net Position		
Net investment in capital assets	$	351,151,768
Restricted for:		
Debt service		6,775,924
Hawthorne maintenance		1,431,717
Total restricted		8,207,641
Unrestricted		8,014,749
Total Net Position	$	367,374,158

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

Midpeninsula Regional Open Space District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Land preservation	$ 34,304,215	$ 2,360,364	$ 1,081,711	$ (30,862,140)
Interest and fiscal charges	10,448,784	-	-	(10,448,784)
Total governmental activities	$ 44,752,999	$ 2,360,364	$ 1,081,711	(41,310,924)
General revenues and special item:				
Property taxes				54,395,054
Investment earnings				3,627,639
Other revenues				1,912,125
Special item - loss on disposal of capital assets				(37,853)
Total general revenues and special item				59,896,965
Change in net position				18,586,041
Net position beginning				348,788,117
Net position ending				$ 367,374,158

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

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the District in fiscal year 2018.

Fund Title	Fund Description
General Fund	The fund is the general operating fund of the District. It is used to account for all financial resources. The major revenue sources for this fund are property taxes, grant revenues and interest income. Expenditures are made for land preservation and other operating expenditures.
Measure AA Capital Projects Fund	This fund is used to account for resources from bond proceeds and expenditures for capital projects related to the Measure AA GO Bond.
GF Capital Projects Fund	This fund is used to account for expenditures for capital projects not related to any other capital projects funds.
Debt Service Fund	This 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.

Midpeninsula Regional Open Space District

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and investments	$ 51,295,862	$ 41,130,060	$ 8,904,710	$ 6,775,924	$ 108,106,556
Receivables:					
Interest	158,943	-	-	-	158,943
Other	182,269	-	-	-	182,269
Taxes receivable	221	-	-	-	221
Other current assets	195,315	-	-	-	195,315
Due from other funds	4,565,422	2,786,475	-	-	7,351,897
Notes receivable	94,182	-	-	-	94,182
Total Assets	$ 56,492,214	$ 43,916,535	$ 8,904,710	$ 6,775,924	$ 116,089,383
Liabilities					
Liabilities:					
Accounts payable	$ 770,967	$ 1,450,793	$ 295,079	$ -	$ 2,516,839
Deposits payable	218,240	-	-	-	218,240
Due to other funds	2,475,316	4,521,489	355,092	-	7,351,897
Payroll and other liabilities	1,580,921	-	-	-	1,580,921
Total Liabilities	5,045,444	5,972,282	650,171	-	11,667,897
Deferred Inflows of Resources					
Unavailable revenues	94,182	-	-	-	94,182
Fund Balance					
Nonspendable:					
Prepaid expenditures	185,984	-	-	-	185,984
Restricted for:					
Debt service	-	-	-	6,775,924	6,775,924
Measure AA capital projects	-	37,944,253	-	-	37,944,253
Hawthorne maintenance	1,431,717	-	-	-	1,431,717
Capital projects	-	-	8,254,539	-	8,254,539
Pension	2,531,030	-	-	-	2,531,030
Committed for:					
Infrastructure	17,688,465	-	-	-	17,688,465
Equipment replacement	3,000,000	-	-	-	3,000,000
Capital maintenance	5,000,000	-	-	-	5,000,000
Future acquisitions and capital projects	3,000,000	-	-	-	3,000,000
Promissory note	600,000	-	-	-	600,000
Assigned for:					
Ongoing Projects	1,400,000	-	-	-	1,400,000
Unassigned	16,515,392	-	-	-	16,515,392
Total Fund Balance	51,352,588	37,944,253	8,254,539	6,775,924	104,327,304
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 56,492,214	$ 43,916,535	$ 8,904,710	$ 6,775,924	$ 116,089,383

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, 2019

Total fund balance - governmental funds		$ 104,327,304
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	$ 524,853,989	
Accumulated depreciation	(20,294,580)	504,559,409
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.		94,182
The difference between OPEB plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position.		578,258
The difference between pension plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position.		3,380,670
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(2,381,063)
Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:		
Premium	$ 25,567,399	
Issuance cost	(468,350)	(25,099,049)
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.		9,395,700
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
Bonds	$ 179,090,000	
Net pension liability	10,412,478	
Promissory notes	33,748,111	
Compensated absences	2,368,387	
Net OPEB liability	1,862,277	(227,481,253)
Total net position - governmental activities		$ 367,374,158

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

Midpeninsula Regional Open Space District

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Measure AA Capital Projects Fund	GF Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	$ 49,156,904	$ -	$ -	$ 5,238,150	$ 54,395,054
Grant income	460,842	620,869	-	-	1,081,711
Property management	2,360,364	-	-	-	2,360,364
Investment earnings	1,403,878	1,726,441	399,613	118,773	3,648,705
Other revenues	640,850	-	-	-	640,850
Total revenues	54,022,838	2,347,310	399,613	5,356,923	62,126,684
Expenditures:					
Current:					
Land preservation:					
Salaries and employee benefits	20,727,559	368,306	-	-	21,095,865
Services and supplies	8,086,707	2,054	1,334	-	8,090,095
Capital outlay	-	10,501,506	34,854,151	-	45,355,657
Debt service:					
Principal	-	-	-	6,480,000	6,480,000
Interest	-	-	-	9,190,988	9,190,988
Total expenditures	28,814,266	10,871,866	34,855,485	15,670,988	90,212,605
Excess (deficiency) of revenues over (under) expenditures	25,208,572	(8,524,556)	(34,455,872)	(10,314,065)	(28,085,921)
Other financing sources (uses):					
Transfers in	1,481,755	-	37,148,401	11,298,825	49,928,981
Transfers out	(48,447,226)	-	(1,481,755)	-	(49,928,981)
Total other financing sources (uses)	(46,965,471)	-	35,666,646	11,298,825	-
Net changes in fund balance	(21,756,899)	(8,524,556)	1,210,774	984,760	(28,085,921)
Fund balance beginning	73,109,487	46,468,809	7,043,765	5,791,164	132,413,225
Fund balance ending	$ 51,352,588	$ 37,944,253	$ 8,254,539	$ 6,775,924	$ 104,327,304

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

Midpeninsula Regional Open Space District

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Total net change in fund balance - governmental funds		$ (28,085,921)
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	$ 45,355,657	
Depreciation expense	(2,878,228)	
Loss on disposal of capital asset	(37,853)	42,439,576
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.		(21,066)
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.		(481,593)
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:		
Repayment of bond principal	5,280,000	
Repayment of promissory notes principal	1,200,000	6,480,000
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.		(845,123)
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		1,216,967
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.		(644,457)
In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension and OPEB expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(1,595,570)
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.		123,228
Change in net position of governmental activities		$ 18,586,041

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

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MIDPENINSULA REGIONAL OPEN SPACE

Notes to Financial Statements

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. 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.

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Outflows/Deferred Inflows:

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

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to benefit plans. In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable 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 of resources as unavailable 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.

F. Fund Accounting

The accounts of the District are organized into four 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. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

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

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

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

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

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

G. Budgets and Budgetary Accounting

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

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

2. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. 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. Capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their acquisition value at the time of acquisition plus ancillary charges, if any. Donated works of art and similar items and capital assets received in service concession arrangements are reported at acquisition value. 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 June 30, 2006, who retires from the District shall receive a cash payment of the percentage of equivalent cash value of accrued sick leave based on years of employment as described above, and apply the remainder of the equivalent cash value toward his/her cost of retiree medical plan premiums and/or other qualified medical expenses. Upon retirement, the amount qualified and designated for retiree medical costs shall be deposited in the Retiree Health Savings (RHS) plan, set up by the District. The cost for maintaining the retiree's RHS account and the annual fee for the reimbursement process of qualified medical expenses will be paid for by the retiree.

An employee hired on or after July 1, 2006, who retires from the District may elect to receive only a cash payment of the percentage of equivalent cash value of accrued sick leave based on years of employment as described above. In all cases the equivalent cash value of accrued sick leave will be based on current rate of pay as of the date of separation from District employment.

The District accrues for all salary-related items in the government-wide statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. Compensated absences are liquidated by the fund that has recorded the related liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

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 resolution. Any changes to committed fund balance requires the approval of two-thirds of the Board.

  Committed fund balances were imposed by the District's Board of Directors as follows:

  - Infrastructure: $17.7 million; projected minimum requirement for expansion of field and office facilities over the next five years.

  - Equipment Replacement: $3 million; projected requirement for equipment and vehicle replacement based on the amount of accumulated depreciation recorded on capital assets in service.

  - Capital maintenance: $5 million; amounts committed to reserve for future capital repairs and maintenance.

  - Future acquisitions and capital projects: $3 million; amounts committed to reserve for future capital acquisitions.

  - Promissory Note: $0.6 million; amounts committed to payment of promissory note.

- *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, pursuant to Board Policy 3.07, if authorized by the Board of Directors to make such designations.

- *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. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. For this report, the following time frames were used:

Valuation Date (VD) .... June 30, 2017
Measurement Date (MD) .... June 30, 2018
Measurement Period (MP) .... July 1, 2017 to June 30, 2018

11. Other Postemployment Benefits Oher Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on the when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

12. Property Taxes

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

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

13. 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.

I. Implemented New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

J. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

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

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes deposits as of June 30, 2019:

Cash and Investments	Cash and Cash Equivalents Available for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	$ 1,573,758	$ 33,810	$ 1,607,568
Cash with Fiscal Agent	-	2,531,030	2,531,030
Petty Cash	1,832	-	1,832
Total Cash Deposits	1,575,590	2,564,840	4,140,430
Investments:			
California Local Agency Investment Fund	6,543,761	-	6,543,761
CalTRUST	-	1,604,339	1,604,339
Brokerage Accounts/Cash with Fiscal Agents	16,313,616	51,761,334	68,074,950
Santa Clara County Pool	22,693,716	5,049,360	27,743,076
Total Investments	45,551,093	58,415,033	103,966,126
Total Cash and Investments	$ 47,126,683	$ 60,979,873	$ 108,106,556

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, 2019, the District’s bank balances exceeded FDIC coverage by $1,582,879.

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.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2019

The District has the following investments with recurring fair value measurements as of June 30, 2019:

Investment Type	Rating	Fair Value	Input Level	Maturities: 12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	Concen-trations
Money Market Accounts	n/a	$ 3,135,774	n/a	$ 3,135,774	$ -	$ -	$ -	3.02%
Municipal Bonds	AAA/A-	13,649,234	Level 2	2,835,666	7,038,659	1,847,521	1,927,388	13.13%
Corp/Gov Bonds	AAA/A-	37,953,286	Level 1	14,603,548	20,936,928	2,412,810	-	36.51%
LAIF	n/a	6,543,761	Level 2	6,543,761	-	-	-	6.29%
CalTrust	A+f	1,604,339	Level 2	-	-	1,604,339	-	1.54%
Santa Clara County Pool	n/a	27,743,076	Level 2	16,384,182	4,096,442	7,262,452	-	26.68%
U.S. Obligations	AA+/A-	13,336,656	Level 1	10,189,733	3,146,923	-	-	12.83%
Total Investments		$ 103,966,126		$ 53,692,664	$ 35,218,952	$ 13,127,122	$ 1,927,388	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, 2019, these investments had an average maturity date of less than one year.

Investment Trust of California

The District is a participant in the Investment Trust of California (CalTRUST) which is a California joint powers authority that has been established by its members pursuant to an agreement. The California Government Code provides that Public Agencies may purchase shares of beneficial interest issues by a joint powers authority, such as CalTRUST, organized pursuant to the Section 6500 of the Act. The District reports its investment in CalTRUST at the fair value amount provided by CalTRUST. The District participates in the Medium-Term Fund with CalTRUST. The balance in this Medium-Term Fund is available for withdrawal once a week (on Wednesdays), and is based on the net asset value per share on the Wednesday of each week. Included in CalTRUST's investment portfolio for the Medium-Term Fund are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2019, these investments had an average maturity date of 2 to 5 years.

Investments Authorized by Debt Agreements

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

Restricted for Debt Service

As of June 30, 2019, the District had $1,726,564 held by Zions bank as trustee, pledged to the payment or security of its outstanding bond issues. The District also had $5,049,360 held by the County during the period which was pledged to the payment or security of its outstanding bonds. All transactions associated with debt service were administered by the Bank or County.

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, 2019 was $1,604,339.

Restricted for Measure AA Bond Projects

As of June 30, 2019, the District had $41,130,060 held by Zions bank as trustee, pledged to specific projects related to the acquisition of property to protect and preserve natural open space lands, constructions of public access improvements and recreation and capital enhancements to open space lands to restore disturbed natural areas back to their original condition and function.

Restricted for Staffing Facilities

As of June 30, 2019, the District had $8,904,710 held by Zions bank as trustee, pledged to finance portion of the cost of acquiring and improving staffing facilities for use by the District.

Restricted for Historic Picchetti Reserve

As of June 30, 2019, the District had $33,810 held with Wells Fargo, pledged for upkeep on the Picchetti Ranch brick winery building and farm complex.

Restricted Cash with Fiscal Agent

For the year ended June 30, 2019, the District had a balance of $2,531,030 in a Public Agency Retirement Services (PARS) Pension Rate Stabilization Program (PRSP) 115 irrevocable trust for pensions. Participating agencies maintain oversight of investment management and control over the risk tolerance level. Assets in the plan can be accessed to offset unexpected rate increases or be used as a rainy day fund related to their pension plan (CalPERS). These assets are not dedicated to providing plan benefits to plan participants and are not directly used to pay benefits until such time as the District transfers the funds from the PARS trust to the pension plan (CalPERS). The trust restricts the use of the assets to be used solely for pension related expenses.

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 $8.6 billion and $97.6 billion, respectively as of June 30, 2019, 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 2019 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

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The District's investment in the County's commingled pool is diversified by the County Treasurer by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasuries, U.S. Agency securities explicitly backed by the U.S., and mutual and pooled funds are not subject to this limitation.

More than 5% of the County's commingled pooled investments are invested with the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables

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

The following interfund loans were outstanding at fiscal year end June 30, 2019:

Fund	Due from Other Funds	Due to Other Funds
General Fund	$ 4,565,422	$ 2,475,316
Measure AA Capital Projects Fund	2,786,475	4,521,489
GF Capital Projects Fund	-	355,092
Total	$ 7,351,897	$ 7,351,897

At June 30, 2019, interfund transfers consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	$ 1,481,755	$ 48,447,226
GF Capital Projects Fund	37,148,401	1,481,755
Debt Service Fund	11,298,825	-
Total	$ 49,928,981	$ 49,928,981

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements
June 30, 2019

NOTE 4 - NOTES RECEIVABLE

On December 17, 1997, the District sold the title to and possession of a 50-year fee determinable estate 10-acre parcel near the Skyline Ridge Open Space Preserve. The District financed the purchase in the amount of $288,800 over 25 years at a rate of 10% per annum. Monthly principal and interest payments of $2,634 are due on the 1st of each month and late if not paid by the 10th, with the final payment scheduled December 1, 2022. The outstanding balance at June 30, 2019 was $94,182.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the period ended June 30, 2019 is shown below:

Capital Assets	Balance June 30, 2018	Additions	Deletions/ Adjustments	Balance June 30, 2019
Non-depreciable:				
Land	$ 414,547,441	$ 23,216,204	$ -	$ 437,763,645
Construction in Progress	8,596,297	10,805,611	(3,208,534)	16,193,374
Total Non-Depreciable	423,143,738	34,021,815	(3,208,534)	453,957,019
Depreciable:				
Structure and Improvements	16,644,608	11,560,143	-	28,204,751
Infrastructure	32,640,168	2,158,478	-	34,798,646
Equipment	2,333,457	319,326	-	2,652,783
Vehicles	5,007,778	504,429	(271,417)	5,240,790
Total Depreciable	56,626,011	14,542,376	(271,417)	70,896,970
Less Accumulated Depreciation for:				
Structure and Improvements	(9,324,551)	(820,470)	-	(10,145,021)
Infrastructure	(4,128,084)	(1,128,348)	-	(5,256,432)
Equipment	(1,343,906)	(195,263)	-	(1,539,169)
Vehicles	(2,853,375)	(734,147)	233,564	(3,353,958)
Total Accumulated Depreciation	(17,649,916)	(2,878,228)	233,564	(20,294,580)
Total Depreciable Capital Assets - Net	38,976,095	11,664,148	(37,853)	50,602,390
Total Capital Assets - Net	$ 462,119,833	$ 45,685,963	$ (3,246,387)	$ 504,559,409

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the period ended June 30, 2019:

Long-term Liabilities	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Promissory Notes (Direct Borrowings):					
Current Interest	$ 25,439,999	$ -	$ 1,200,000	$ 24,239,999	$ 1,285,000
Capital Appreciation	6,580,602	-	-	6,580,602	-
Accreted interest	2,445,917	481,593	-	2,927,510	-
Unamortized Premium	5,302,758	-	150,935	5,151,823	-
Subtotal Promissory Notes	39,769,276	481,593	1,350,935	38,899,934	1,285,000
Bonds:					
Current Interest	184,370,000	-	5,280,000	179,090,000	7,830,000
Unamortized Bond Premium	21,535,916	-	1,120,340	20,415,576	-
Subtotal Bonds	205,905,916	-	6,400,340	199,505,576	7,830,000
Net Pension Liability	11,022,824	7,773,136	8,383,482	10,412,478	-
Net OPEB Liability	1,845,000	1,192,555	1,175,278	1,862,277	-
Compensated Absences	1,723,930	1,528,342	883,885	2,368,387	883,885
Total Long-term Liabilities	$ 260,266,946	$ 10,975,626	$ 18,193,920	$ 253,048,652	$ 9,998,885

Compensated absences, other postemployment benefits and pension liabilities are paid by the fund for which the employee worked.

Promissory Notes

Hunt Living Trust Promissory Note

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

2012 Refunding Promissory Notes

On January 19, 2012, the District advance refunded $34,652,643 in 1999 lease revenue bonds by issuing $31,264,707 in promissory notes. The 2012 notes bear interest rates ranging from 2.00% to 6.04%. The notes are a blend of current interest and capital appreciation notes maturing through 2042. The net proceeds of $33,295,663 (after payment of $278,683 in underwriting fees, insurance, and other issuance costs and a premium of $2,309,638) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements. The 2012 Refunding Promissory Notes were partially defeased during fiscal year 2018 with issuance of the 2017 Refunding Bond as noted below. The notes are secured by limited ad valorem property taxes levied upon all taxable property in the District.

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. The notes are secured by limited ad valorem property taxes levied upon all taxable property in the District.

Revenue and General Obligation Bonds

2011 Revenue Bonds

On May 19, 2011, the Authority, on behalf of the District, issued $20,500,000 of 2011 Revenue Bonds for the purpose of acquiring land to preserve and use as open space and pay bond issue and related costs. The Bonds are not general obligations. Each period, the District will appropriate revenues-mainly limited properly tax collections that Santa Clara County and San Mateo County allocate to the District – to pay its obligations under a Lease Agreement for use and occupancy of District land in addition to other District debt and lease obligations unrelated to this financing. The Current Interest Bonds bear interest at 2.0% to 6.0% and are due semi-annually on March 1 and September 1. Principal payments on the Current Interest Bonds are due annually September 1. This Bond was partially defeased during fiscal year 2017 with issuance of the 2016 Refunding Series A and B Green Bonds as noted below. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

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. The bonds are secured by ad valorem property taxes levied by the District. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

2016A and 2016B Refunding Green Bonds

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

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

The 2016 Refunding Green Bonds Series A bears interest from 2.0% to 5.0% and the Series B bears interest of 0.73%. Interest for both Series A and B are due semi-annually on March 1 and September 1. Principal payments for Series A begins September 2017 and are due annually thereafter until September 2036. Series B has only one principal payment in September 2017. The bonds are secured by the District's share of the general 1% ad valorem property tax levied in the District. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

2017 Series A Refunding Green Bonds

On December 13, 2017 the District issued $25,025,000 of 2017 Refunding Green Bonds for the purpose of partially refunding its outstanding obligations under the 2012 Refunding Promissory Notes. The proceeds of the 2017 Refunding Green Bonds, together with $676,232 of other District funds, were used to defease and redeem $11,605,000 principal amount of the District's outstanding 2012 Current Interest Notes and $8,894,106 initial principal of the District's outstanding 2012 Capital Appreciation Notes, collectively, the 2012 Refunding Promissory Notes. The amounts defeased have been removed from the government-wide financial statement of net position.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,113,597, which is reported as a deferred outflow on the government-wide statement of net position. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through fiscal year 2033 using the straight-line method. The District completed the refunding to obtain an economic gain (difference between the present value of the old and the new debt service payments) of $8,882,524.

The 2017 Refunding Green Bonds bears interest from 3.125% to 5.0%. Interest is due semi-annually on March 1 and September 1. Principal payments begin September 2025 and are due annually thereafter until September 2037. The bonds are secured by the District's share of the general 1% ad valorem property tax levied in the District. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

2017 Series B Parity Bonds

On December 13, 2017, the District issued $11,220,000 of 2017 parity bonds to finance portion of the cost of acquiring and improving staffing facilities for use by the District. The bonds bear interest of 5% and are due semi-annually on June 30 and December 30. The bonds were issued at a premium of $1,413,434 and issuance costs of $133,434. The bonds are secured by the District's share of the general 1% ad valorem property tax levied in the District. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

2018 General Obligation Bonds

On February 1, 2018, the District issued $50,000,000 of 2018 general obligation bonds to finance 25 projects specified in Measure AA. The bonds bear interest from 2% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of $3,691,291 with an issuance costs of $455,462. The bonds are secured by the District's share of the general 1% ad valorem property tax levied in the District. There is no remedy to the District for default beyond the security provided in the indenture and debt reserves established.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements
June 30, 2019

The following schedule summarizes the District's outstanding promissory notes and bonds as of June 30, 2019:

Long Term Debt	Original Issue	Beginning Balance	Additions	Retirements	Ending Balance
Promissory Notes (Direct Borrowings):					
Hunt Note	$ 1,500,000	$ 1,500,000	$ -	$ -	$ 1,500,000
2012 Refunding Note Current Int.	15,790,000	2,124,999	-	395,000	1,729,999
2012 Refunding Note Cap Apprec.	15,474,708	6,580,602	-	-	6,580,602
2015 Refunding Note	23,630,000	21,815,000	-	805,000	21,010,000
Subtotal Promissory Notes	56,394,708	32,020,601	-	1,200,000	30,820,601
Bonds:					
2011 Lease Revenue	20,500,000	930,000	-	180,000	750,000
2015A General Obligation Bonds	40,000,000	40,000,000	-	-	40,000,000
2015B General Obligation Bonds	5,000,000	3,350,000	-	890,000	2,460,000
2016 Refunding Bond	57,410,000	53,845,000	-	3,410,000	50,435,000
2017 Refunding Bond	25,025,000	25,025,000	-	-	25,025,000
2017 Parity Bond	11,220,000	11,220,000	-	800,000	10,420,000
2018 General Obligation Bonds	50,000,000	50,000,000	-	-	50,000,000
Subtotal Bonds	209,155,000	184,370,000	-	5,280,000	179,090,000
Accreted Interest:					
2012 Refunding Note		2,445,917	481,593	-	2,927,510
Subtotal Accreted Interest		2,445,917	481,593	-	2,927,510
Unamortized Bond Premium		26,838,674	-	1,271,275	25,567,399
Total Long Term Debt	$ 265,549,708	$ 245,675,192	$ 481,593	$ 7,751,275	$ 238,405,510

The promissory notes future debt service requirements as of June 30, 2019 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2020	$ 1,285,000	$ -	$ 1,136,775	$ 2,421,775
2021	1,370,000	-	1,084,025	2,454,025
2022	1,445,000	-	1,029,625	2,474,625
2023	3,040,000	-	963,950	4,003,950
2024	1,170,000	-	825,750	1,995,750
2025-2029	6,825,000	-	3,163,875	9,988,875
2030-2034	12,946,057	6,728,490	1,309,000	20,983,547
2035-2039	2,739,544	2,298,400	35,125	5,073,069
Total Debt Service	$ 30,820,601	$ 9,026,890	$ 9,548,125	$ 49,395,616

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements
June 30, 2019

The bonds future debt service requirements as of June 30, 2019 were as follows:

Year Ending June 30,	Principal	Remaining Accretion	Interest	Total
2020	$ 7,830,000	$ -	$ 7,417,788	$ 15,247,788
2021	7,025,000	-	7,161,901	14,186,901
2022	6,675,000	-	6,895,263	13,570,263
2023	6,990,000	-	6,589,537	13,579,537
2024	7,375,000	-	6,239,763	13,614,763
2025-2029	40,435,000	-	25,216,740	65,651,740
2030-2034	23,170,000	-	17,528,670	40,698,670
2035-2039	41,710,000	-	11,255,601	52,965,601
2040-2044	20,745,000	-	5,566,500	26,311,500
2045-2049	17,135,000	-	1,459,100	18,594,100
Total Debt Service	$179,090,000	$ -	$ 95,330,863	$274,420,863

Amortization of the deferred loss on early retirement of long-term debt for the fiscal period ended June 30, 2019 was as follows:

Beginning Balance	$ 10,240,823
Amortization	(845,123)
Ending Balance	$ 9,395,700

NOTE 7 - RENTAL INCOME

The District rents certain land and structures to other entities under operating leases with terms generally on a month-to-month basis. Rental income of $1,988,147 was received during the period ended June 30, 2019.

NOTE 8 - CALPERS PENSION PLAN

Pension Plan

General Information about the Pension Plans

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

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

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	10.609%	6.842%

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Active	141
Transferred	50
Separated	67
Retired	70
Total	328

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Net Pension Liability/(Asset)
Miscellaneous	$ 10,412,478

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, 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, 2017 using standard procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions in to the pension plan relative to the projected contributions of all participating employers, as actuarially determined. The District's proportionate share of the net pension liability for the Plan as of fiscal years June 30, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.27962%
Proportion - June 30, 2019	0.27629%
Change - Increase/(Decrease)	-0.00333%

For the fiscal year ended June 30, 2019, the District recognized pension expense of $2,685,156. At fiscal year June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 1,187,053	$ 290,924
Differences between Expected and Actual Experience	399,508	135,950
Differences between Projected and Actual Investment Earnings	51,477	-
Differences between Employer's Contributions and Proportionate Share of Contributions	899,679	262,985
Change in Employer's Proportion	864,101	689,495
Pension Contributions Made Subsequent to Measurement Date	1,358,206	-
Total	$ 4,760,025	$ 1,379,355

The District reported $1,358,206 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020	$ 1,373,936
2021	881,007
2022	(138,824)
2023	(93,654)
Total	$ 2,022,465

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 rounded 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 adjusted to account for assumed administrative expenses.

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.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

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

		Miscellaneous
1% Decrease		6.15%
Net Pension Liability	$	19,423,155
Current		7.15%
Net Pension Liability	$	10,412,478
1% Increase		8.15%
Net Pension Liability	$	2,974,312

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

NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The District joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. See eligibility requirements below. Retiree benefit continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan. The OPEB plan's audited financial statements are available at https://www.calpers.ca.gov/docs/forms-publications/gasb-75-schedule-changes-fiduciary-net-position-2017.pdf.

Benefits Provided - The following is a summary of the plan benefits provided:

Eligibility:	Retire directly from the District under CalPER (age 50 and 5 years of service) Continue participation in PEMHCA
Retiree Medical Benefit:	District pays retiree medical premiums up to: - $300/month effective 1/1/07 - $350/month effective 1/1/09 Must be at least equal to statutory PEMHCA minimum ($122 in 2015, $125 in 2016)
PEMHCA Administrative Fee:	District pays CalPERS administrative fees (0.32% of premiums for 2015/16)
Surviving Spouse Continuation:	Retiree beneift continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan
Minimum Age:	Retirement under CalPERS

Employees Covered by Benefit Terms - At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	138
Inactive employees	31
Total employees	169

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions during the year were $617,768. Total contributions included in the measurement period were $412,000. The actuarially determined contribution for the measurement period was $624,000. The District's contributions were 4.95% of covered payroll during the measurement period June 30, 2018 (reporting period June 30, 2019). Employees are not required to contribute to the plan.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal, level precentage of payroll
Amortization Period:	10.2 years
Asset Valuation Method:	Investment gains and loses spread over 5 year rolling period
Actuarial Assumptions:	
Discount Rate	6.75%
General Inflation	2.75%
Payroll Increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Medical Trend	Non-medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Healthcare Participation for Future Retirees	Currently covered: 90% Currently waived: 60%

Discount Rate - The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements
June 30, 2019

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
Global Equity	57.00%	4.820%
Fixed Income	27.00%	1.470%
TIPS	5.00%	1.290%
Commodities	3.00%	0.840%
REITs	8.00%	3.760%
Total	100.00%	

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2018 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2019 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2017)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30,2018	$ 5,111,000	$ 3,266,000	$ 1,845,000
Service cost	321,153	-	321,153
Interest in Total OPEB Liability	361,203	-	361,203
Employer contributions	-	412,000	(412,000)
Actual investment income	-	259,143	(259,143)
Administrative expenses	-	(6,064)	6,064
Benefit payments	(162,000)	(162,000)	-
Net changes	520,356	503,079	17,277
Balance at June 30, 2019	$ 5,631,356	$ 3,769,079	$ 1,862,277

Covered Employee Payroll	$13,550,000
Total OPEB Liability as a % of Covered Employee Payroll	41.56%
Plan Fid. Net Position as a % of Total OPEB Liability	66.93%
Service Cost as a % of Covered Employee Payroll	2.37%
Net OPEB Liability as a % of Covered Employee Payroll	13.74%

Deferred Inflows and Outflows of Resources - At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ -
Difference between actual and expected earnings	-	92,510
Change in assumptions	-	-
OPEB contribution subsequent to measurement date	670,768	-
Totals	$ 670,768	$ 92,510

Of the total amount reported as deferred outflows of resources related to OPEB, $670,768 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	$ (28,277)
2021	(28,277)
2022	(28,277)
2023	(7,679)
2024	-
Thereafter	-
Total	$ (92,510)

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Service cost	$ 321,153
Interest in TOL	361,203
Expected investment income	(220,756)
Difference between actual and expected earnings	(28,277)
Administrative expenses	6,064
OPEB Expense	**$ 439,387**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2018:

Net OPEB liability ending	$ 1,862,277
Net OPEB liability begining	(1,845,000)
Change in net OPEB liability	17,277
Changes in deferred outflows	10,110
Employer contributions and implict subsidy	412,000
OPEB Expense	**$ 439,387**

Sensitivity to Changes in the Discount Rate - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	6.75%	(1% Increase)
Net OPEB Liability (Asset)	$ 2,705,950	$ 1,862,277	$ 1,170,860

Sensitivity to Changes in the Healthcare Cost Trend Rates - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	4.25%	(1% Increase)
Net OPEB Liability (Asset)	$ 1,632,015	$ 1,862,277	$ 2,171,385

NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

Self-Insurance Programs of the CAL JPIA

General and Automobile Liability

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

Worker's Compensation

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

Purchased Insurance

Environmental Insurance

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

Property Insurance

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

Boiler & Machinery Insurance

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

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

Vendors/Contractors Program

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

Cyber Liability Program

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

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, 2019.

Commitments

As of June 30, 2019, the District had remaining commitments of $4,522,563 towards construction and other contracts. These commitments are not liabilities of the District's until services or goods have been rendered/received. The expected date of completion is between December 2021 and June 2028.

MIDPENINSULA REGIONAL OPEN SPACE

Required Supplementary Information

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY SCHEDULES

This schedule presents a comparison of the original budget, final budget and actual revenues and expenditures for General Fund. The schedule presents the difference between the final budget and actuals.

PENSION SCHEDULES

These schedules present information that shows the District's proportionate share of the pension liability in the cost sharing pools, actuarial information, and contributions. The proportionate share information is useful in determining the District's liability on relation to all other entities in the pool.

POSTEMPLOYMENT BENEFIT SCHEDULES

These schedules present information that shows the District's total other postemployment benefits (OPEB), plan fiduciary net position, and contributions related to retiree healthcare benefits provided by the District.

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
Property taxes	$ 48,122,000	$ 48,919,000	$ 49,156,904	$ 237,904
Grant income	191,000	191,000	460,842	269,842
Property management	1,221,124	1,043,000	2,360,364	1,317,364
Investment earnings	1,079,000	1,949,904	1,403,878	(546,026)
Other revenues	471,738	1,158,498	640,850	(517,648)
Total revenues	51,084,862	53,261,402	54,022,838	761,436
Expenditures:				
Current				
Salaries and employee benefits	22,930,309	23,155,369	20,727,559	2,427,810
Services and supplies	10,648,125	10,384,065	8,086,707	2,297,358
Capital outlay	83,000	-	-	-
Total expenditures	33,661,434	33,539,434	28,814,266	4,725,168
Excess (deficiency) of revenues over (under) expenditures	17,423,428	19,721,968	25,208,572	5,486,604
Other financing sources (uses):				
Transfers in	-	-	1,481,755	1,481,755
Transfers out	(14,529,135)	(14,529,135)	(48,447,226)	(33,918,091)
Total other financing sources (uses)	(14,529,135)	(14,529,135)	(46,965,471)	(32,436,336)
Net change in fund balance	2,894,293	5,192,833	(21,756,899)	(26,949,732)
Fund balance beginning	73,109,487	73,109,487	73,109,487	-
Fund balance ending	$ 76,003,780	$ 78,302,320	$ 51,352,588	$ (26,949,732)

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. Transfers out exceeded budget as noted above because of the transfer to GF Capital Projects Fund for the District's new building purchase.

Midpeninsula Regional Open Space District

Schedule of Pension Plan Contributions

June 30, 2019

Miscellaneous Plan					
Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
Contractually Required Contributions	$ 1,461,069	$ 1,358,520	$ 1,514,352	$ 1,763,650	$ 1,358,184
Contributions in Relation to Contractually Required Contributions	1,343,244	4,788,977	2,529,862	1,783,789	1,358,206
Contribution Deficiency (Excess)	$ 117,825	$ (3,430,457)	$ (1,015,510)	$ (20,139)	$ (22)
Covered Payroll	**$ 8,994,979**	**$ 9,862,578**	**$ 11,834,150**	**$ 12,802,887**	**$ 15,311,826**
Contributions as a % of Covered Payroll	**14.93%**	**48.56%**	**21.38%**	**13.93%**	**8.87%**

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Midpeninsula Regional Open Space District

Schedule of Net Pension Liability Proportionate Shares

June 30, 2019

Miscellaneous Plan					
Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**
Proportion of Net Pension Liability	0.39847%	0.41627%	0.29137%	0.27962%	0.27629%
Proportionate Share of Net Pension Liability	$ 9,848,203	$11,420,126	$10,121,906	$11,022,824	$10,412,478
Covered Payroll	$ 8,448,635	$ 8,994,979	$ 9,862,578	$11,834,150	$12,802,887
Proportionate Share of NPL as a % of Covered Payroll	**116.57%**	**126.96%**	**102.63%**	**93.14%**	**81.33%**
Plan's Fiduciary Net Position as a % of the TPL	**81.15%**	**79.23%**	**80.93%**	**82.04%**	**84.37%**

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

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

Midpeninsula Regional Open Space District

Schedule of Contributions for Postemployment Benefits
June 30, 2019

Fiscal Year Ended		**2018**		**2019**
Actuarially determined contribution (ADC)	$	609,000	$	624,000
Less: actual contribution in relation to ADC		(412,000)		(670,768)
Contribution deficiency (excess)	$	197,000	$	(46,768)
Covered employee payroll	$	12,802,887	$	13,550,000
Contrib. as a % of covered employee payroll		3.22%		4.95%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal, level precentage of payroll
Amortization Period:	10.2 years
Asset Valuation Method:	Investment gains and loses spread over 5 year rolling period
Actuarial Assumptions:	
Discount Rate	6.75%
General Inflation	2.75%
Payroll Increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Medical Trend	Non-medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2017
Healthcare Participation for Future Retirees	Currently covered: 90% Currently waived: 60%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in trend rates..

The discount rate decreased from 7.0% to 6.5% in fiscal year 2019.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Midpeninsula Regional Open Space District

Schedule of Changes in Net OPEB Liability
June 30, 2019

Fiscal Year Ended		2018		2019
Total OPEB liability				
Service cost	$	313,000	$	321,153
Interest		326,000		361,203
Changes of benefit terms		-		-
Differences between expected and actual experience		-		-
Changes of assumptions		-		-
Benefit payments		(113,000)		(162,000)
Implicit subsidy fullfilled		-		-
Net change in Total OPEB Liability		526,000		520,356
Total OPEB Liability - beginning		4,585,000		5,111,000
Total OPEB Liability - ending	$	5,111,000	$	5,631,356
Plan fiduciary net position				
Employer contributions	$	513,000	$	412,000
Employer implict subsidy		-		-
Employee contributions		-		-
Net investment income		287,000		259,143
Difference between estimated and actual earnings		-		-
Benefit payments		(113,000)		(162,000)
Implicit subsidy fullfilled		-		-
Other		-		-
Administrative expense		(1,000)		(6,064)
Net change in plan fiduciary net position		686,000		503,079
Plan fiduciary net position - beginning		2,580,000		3,266,000
Plan fiduciary net position - ending	$	3,266,000	$	3,769,079
Net OPEB liability (asset)	$	1,845,000		1,862,277
Plan fiduciary net position as a percentage of the total OPEB liability		63.90%		66.93%
Covered Employee Payroll	$	11,834,150	$	12,802,887
Net OPEB liability as a percentage of covered employee payroll		15.59%		14.55%
Total OPEB liability as a percentage of covered employee payroll		43.19%		43.99%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in trend rates..

The discount rate decreased from 7.0% to 6.5% in fiscal year 2019.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

MIDPENINSULA REGIONAL OPEN SPACE

Supplementary Information

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SUPPLEMENTARY INFORMATION

BUDGETARY SCHEDULES

These schedules present comparisons of the original budget, final budget and actual revenues and expenditures for major capital project funds and debt service funds. These schedules presents the difference between the final budget and actuals.

BOND PROGRAM EXPENDITURES

This schedule presents the program expenditures for the Measure AA Bond Program for the current year and the in total since the inception of the program.

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
GF Capital Projects Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	399,613	399,613
Other revenues	-	-	-	-
Total revenues	-	-	399,613	399,613
Expenditures:				
Current				
Salaries and employee benefits	-	-	-	-
Services and supplies	880,900	4,700	1,334	3,366
Capital outlay	38,359,100	35,999,584	34,854,151	1,145,433
Total expenditures	39,240,000	36,004,284	34,855,485	1,148,799
Excess (deficiency) of revenues over (under) expenditures	(39,240,000)	(36,004,284)	(34,455,872)	1,548,412
Other financing sources (uses):				
Transfers in	3,294,050	3,294,050	37,148,401	33,854,351
Transfers out	-	-	(1,481,755)	(1,481,755)
Total other financing sources (uses)	3,294,050	3,294,050	35,666,646	32,372,596
Net change in fund balance	(35,945,950)	(32,710,234)	1,210,774	33,921,008
Fund balance beginning	7,043,765	7,043,765	7,043,765	-
Fund balance ending	$ (28,902,185)	$ (25,666,469)	$ 8,254,539	$ 33,921,008

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Measure AA Capital Projects Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual (GAAP Basis)	Final Budget Positive - (Negative)
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Grant income	1,042,040	937,604	620,869	(316,735)
Property management	-	-	-	-
Investment earnings	-	-	1,726,441	1,726,441
Other revenues	-	-	-	-
Total revenues	1,042,040	937,604	2,347,310	1,409,706
Expenditures:				
Current				
Salaries and employee benefits	1,176,946	866,386	368,306	498,080
Services and supplies	18,000	18,000	2,054	15,946
Capital outlay	13,631,078	11,745,696	10,501,506	1,244,190
Total expenditures	14,826,024	12,630,082	10,871,866	1,758,216
Excess (deficiency) of revenues over (under) expenditures	(13,783,984)	(11,692,478)	(8,524,556)	3,167,922
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(13,783,984)	(11,692,478)	(8,524,556)	3,167,922
Fund balance beginning	46,468,809	46,468,809	46,468,809	-
Fund balance ending	$ 32,684,825	$ 34,776,331	$ 37,944,253	$ 3,167,922

Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Debt Service Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
Property taxes	$ 5,733,551	$ 5,733,551	$ 5,238,150	$ (495,401)
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	940,000	940,000	118,773	(821,227)
Other revenues	-	-	-	-
Total revenues	6,673,551	6,673,551	5,356,923	(1,316,628)
Expenditures:				
Debt service:				
Principal	15,670,990	15,670,990	6,480,000	9,190,990
Interest	-	-	9,190,988	(9,190,988)
Total expenditures	15,670,990	15,670,990	15,670,988	2
Excess (deficiency) of revenues over (under) expenditures	(8,997,439)	(8,997,439)	(10,314,065)	(1,316,626)
Other financing sources (uses):				
Transfers in	11,320,585	11,320,585	11,298,825	(21,760)
Transfers out	-	-	-	-
Total other financing sources (uses)	11,320,585	11,320,585	11,298,825	(21,760)
Net change in fund balance	2,323,146	2,323,146	984,760	(1,338,386)
Fund balance beginning	5,791,164	5,791,164	5,791,164	-
Fund balance ending	$ 8,114,310	$ 8,114,310	$ 6,775,924	$ (1,338,386)

Midpeninsula Regional Open Space District

Measure AA Bond Program
Schedule of Program Expenditures
June 30, 2019

Project No.	Project Description	Adjustments		Expenditures from July 1, 2018 through June 30, 2019	Expenditures from Inception through June 30, 2019
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	$ (22,603)	A	$ -	$ -
20088	POST Hendry's Creek Restoration (MAA 22-1)	(41,330)	B	-	-
20101	Lysons Property (17-1 MAA)	(27,059)	C	-	-
20102	Lobner Demolition (MAA 17-2)	(128,760)	C	-	-
20109	Riggs Property Appraisal - (3-1 MAA)	(6,500)	D	-	-
20110	Purisima Creek Uplands Lot line Adjustment (3-1 MAA)	(13,000)	D	-	-
20112	Conservation Easement Upper Alpine Ranch Area (15-1 MAA)	(8,695)	E	-	-
20113	Preservation of Upper Los Gatos Creek Watershed (22-1 MAA)	(5,000)	B	-	-
20114	Land Conservation Opportunities MAA 25-1 (Burtons)	(150)	F	-	-
30503	ECDM Trail Improvements (MAA 4-4)	(3,930)	G	-	-
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	(34,196)	H	-	-
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	(17,646)	I	-	-
31310	Mt Um Summit Restor & Improv (MAA 23-4)	(79,491)	I	-	-
31311	Mt Um Trail Overlook & Bridges (MAA 23-5)	(243)	I	-	-
31500	Measure AA Project 11-1	(728)	J	-	-
65101	PCR Harkins Bridge Replacement (MAA 3-4)	(108,788)	D	-	-
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	(103,187)	C	-	-
80016	ECdM Creek Watershed Protection Program (MAA 4-3)	(45,507)	G	-	-
80029	Pond DR05 Repair (MAA 7-5)	(150,682)	K	-	-
80037	Mindego Grazing Infrastructure (MAA 9-1)	(135,748)	H	-	-
80038	LHC Grazing Infrastructure - McDonald Ranch Fencing (MAA 5-2)	(178,850)	L	-	-
AA01	Miramontes Ridge - Gateway to San Mateo Coast	-		(52,915.00)	-
AA02	Bayfront Habitat Protection & Public Access Partnerships	22,603	A	1,327,008.00	2,046,671
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	128,288	D	160,306.00	1,270,676
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	49,437	G	306,910.00	886,868
AA05	La Honda Creek - Upper Recreation Area	178,850	L	17,055.00	2,428,759
AA06	Hawthorn Public Access Improvements	-		18,112.00	26,602
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	150,682	K	121,948.00	12,161,434
AA08	La Honda/Russian Ridge: Upper San Gregorio Watershed	-		2,153,910.00	2,153,910
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	169,944	H	77,512.00	319,467
AA10	Coal Creek: Reopen Alpine Road for Trail Use	-		144,173.00	166,122
AA11	Rancho San Antonio: Interpretive Improvements, Refurbishing	728	J	3,025.00	33,264
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	8,695	E	14,500.00	3,033,050
AA17	Regional: Complete Upper Stevens Creek Trail	259,006	C	275,086.00	2,055,333
AA18	South Bay Foothills: Saratoga-to-Sea Trail & Wildlife Corridor	-		3,850.00	3,850
AA19	El Sereno Dog Park & Connections	-		52,977.00	480,242
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	-		193,367.00	390,203
AA21	CR:Pub Recreation Proj	-		4,848,581.00	8,275,686
AA22	Cathedral Oaks Public Access & Conservation	46,330	B	368,992.00	1,077,895
AA23	Mt Um Pub Access/Intrep	97,380	I	852,369.00	22,934,442
AA24	Rancho de Guadalupe Family Recreation	-		(14,900.00)	1,591,996
AA25	Loma Prieta Area Public Access	150	F	-	410,150
	Total MAA Bond Project Expenditures	-		10,871,866	61,746,620
	Reimbursements from Grants, Contributions, and Other Funds	-		(620,869)	(3,315,613)
	Total MAA Bond Project Expenditures - Net Reimbursements	$ -		$ 10,250,997	$ 58,431,007

During fiscal year ending June 30, 2019, the District realigned pre-existing project numbers eligible for Measure AA (MAA) funding with the Measure AA projects numbers (MAA) for ease of project review. Letters in adjustment column indicate the transfer of expenses between project numbers. Prior expenditure balances related to appraisals and land surveys in MAA01 "Miramontes Ridge - Gateway to San Mateo Coast" and MAA24 “Sierra Azul: Rancho de Guadalupe Family Recreation Projects” were removed as the transactions failed to materialize.

Midpeninsula Regional Open Space District
Notes to Supplementary Information
June 30, 2019

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.

On February 1, 2018, the District issued $50,000,000 of 2018 general obligation bonds to finance 25 projects specified in Measure AA. The bonds bear interest from 2% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of $3,691,291 with an issuance costs of $455,462.

Land acquisition is the first step to open space conservation. The Vision Plan identified 50,000 acres of open space land that, when conserved, would significantly improve wildlife conditions, wetlands, watersheds, creeks, sensitive plant communities and healthy outdoor recreation. As of June 30, 2019, the District has acquired and / or preserved over 1,700 acres of land with $24 million 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.

MIDPENINSULA REGIONAL OPEN SPACE

Statistical Information

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STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time:

1. Net Position
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information in relation to the District's property tax assessments:

1. Assessed and Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Pricipal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future:

1. Ratios of General Bonded Debt Outstanding
2. Ratios of Outstanding Debt by Type
3. Legal Debt Margin Information

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

1. Full-Time Equivalent Employees by Function
2. Capital Asset Statistics by Function
3. Operating Indicators by Function

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year.

Midpeninsula Regional Open Space District

Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	$ 225,092	$ 236,546	$ 245,393	$ 259,638	$ 268,869	$ 278,611	$ 276,395	$ 308,601	$ 312,121	$ 351,152
Restricted	1,417	1,408	1,568	2,731	4,327	2,566	5,786	4,571	7,252	8,207
Unrestricted	30,450	28,142	42,738	36,919	37,951	39,948	39,280	23,831	29,415	8,015
Total Net Position	$ 256,959	$ 266,096	$ 289,699	$ 299,288	$ 311,147	$ 321,125	$ 321,461	$ 337,003	$ 348,788	$ 367,374

Source: Annual Financial Report

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

Midpeninsula Regional Open Space District

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Land preservation	$ 13,254	$ 13,768	$ 14,312	$ 19,338	$ 17,930	$ 19,478	$ 26,080	$ 21,783	$ 28,910	$ 34,304
Interest and fiscal charges	6,208	6,739	7,483	7,273	7,163	7,202	9,752	8,327	8,193	10,449
Depreciation	715	882	806	840	1,095	1,232	1,311	1,585	2,399	-
Loss on refunding of debt	381	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	20,558	21,389	22,601	27,451	26,188	27,912	37,143	31,695	39,502	44,753
Program Revenues										
Governmental Activities										
Charges for Services	911	1,241	1,320	1,381	1,422	1,437	1,636	1,479	1,576	2,360
Grants and Contributions	659	1,393	1,453	913	1,901	953	1,194	651	1,613	1,082
Land donations	2,259	17	13,928	3,890	-	-	-	-	-	-
Total governmental activities program revenues	3,829	2,651	16,701	6,184	3,323	2,390	2,830	2,130	3,189	3,442
Net (expense)/revenue - governmental activities	(16,729)	(18,738)	(5,900)	(21,267)	(22,865)	(25,522)	(34,313)	(29,565)	(36,313)	(41,311)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property taxes	27,631	27,269	28,737	30,270	32,433	35,082	44,980	43,861	47,798	54,395
Investment earnings	-	294	375	288	138	202	648	463	1,045	3,628
Use of money and property	80	-	-	-	-	-	-	-	-	-
Miscellaneous	216	311	394	298	182	216	810	784	1,153	1,874
Total governmental activities	27,927	27,874	29,506	30,856	32,753	35,500	46,438	45,108	49,996	59,897
Change in Net Position										
Governmental activities	11,198	9,136	23,606	9,589	9,888	9,978	12,125	15,543	13,683	18,586
Prior period adjustments	-	-	-	-	1,971	-	(11,790)	-	(1,898)	-
Total Changes in Net Position	$ 11,198	$ 9,136	$ 23,606	$ 9,589	$ 11,859	$ 9,978	$ 335	$ 15,543	$ 11,785	$ 18,586

Source: Annual Financial Report

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.
Starting FY 2018-19 depreciation expenses were allocated to land preservation.

Midpeninsula Regional Open Space District

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	$ 579	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, designated in	15,657	-	-	-	-	-	-	-	-	-
Unreserved, reported in	12,678	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	55	36	186
Restricted	-	731	-	-	1,702	1,702	1,971	1,971	1,467	3,963
Committed	-	-	-	-	-	20,400	35,400	35,400	42,300	29,288
Assigned	-	-	-	-	5,000	-	-	-	-	1,400
Unassigned	-	26,156	41,782	37,513	34,453	21,330	16,848	23,872	29,306	16,515
Total General Fund	$ 28,914	$ 26,887	$ 41,782	$ 37,513	$ 41,155	$ 43,432	$ 54,219	$ 61,298	$ 73,109	$ 51,352
All other governmental funds										
Reserved	$ 1,417	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	-	1,408	1,568	1,634	1,621	-	26,894	9,539	59,304	52,975
Total all other governmental funds	$ 1,417	$ 1,408	$ 1,568	$ 1,634	$ 1,621	$ -	$ 26,894	$ 9,539	$ 59,304	$ 52,975

Source: Annual Financial Report

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.
The District has implemented GASB 54 effective fiscal year ending March 31, 2011.
This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types.
The District opted not to change the previous years' data.

Midpeninsula Regional Open Space District

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Property taxes	$ 27,631	$ 27,269	$ 28,737	$ 30,270	$ 32,433	$ 35,082	$ 44,980	$ 43,861	$ 47,798	$ 54,395
Grant income	659	1,393	1,453	913	1,901	953	1,194	651	1,613	1,082
Property management	911	955	1,320	1,381	1,422	1,438	1,636	1,479	1,576	2,360
Investment earnings	80	294	375	288	150	216	666	480	1,064	3,649
Other	224	551	240	146	145	241	644	609	348	641
Land donation	2,258	17	13,928	-	-	-	-	-	-	-
TOTAL REVENUE	31,763	30,479	46,053	32,998	36,051	37,930	49,120	47,080	52,399	62,127
EXPENDITURES										
Land Preservation	13,070	13,682	13,996	18,713	17,303	18,272	28,965	25,807	28,226	29,186
Capital outlay	18,557	11,596	27,190	9,611	8,231	8,445	18,901	19,961	16,440	45,356
Debt service:										
Principal and advance refunding escrow	2,900	3,301	4,457	2,843	2,999	3,145	4,367	5,193	6,392	6,480
Interest and fiscal charges	4,919	4,786	5,355	6,034	5,859	5,749	6,478	7,190	6,597	9,191
TOTAL EXPENDITURES	39,446	33,365	50,998	37,201	34,392	35,611	58,711	58,152	57,655	90,213
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(7,683)	(2,886)	(4,945)	(4,203)	1,659	2,319	(9,591)	(11,072)	(5,256)	(28,086)
OTHER FINANCING SOURCES AND USES										
Transfers in	7,829	7,974	9,827	8,877	8,858	8,894	12,146	15,839	9,409	49,929
Transfers out	(7,829)	(7,974)	(9,827)	(8,877)	(8,858)	(8,894)	(12,146)	(15,839)	(9,409)	(49,929)
Other sources	-	850	20,000	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(68,187)	(27,660)	-
Issuance of refunding debt	-	-	-	-	-	-	-	57,410	25,025	-
Advance refunding of revenue bonds	-	-	-	-	-	(29,987)	-	-	-	-
Issuance of debt	-	-	-	-	-	28,325	45,000	-	61,220	-
Premium from debt issuances	-	-	-	-	-	-	2,282	11,564	8,246	-
TOTAL OTHER FINANCING SOURCES (USES)	-	850	20,000	-	-	(1,662)	47,282	787	66,831	-
SPECIAL ITEM										
OPEB Funding	-	-	-	-	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	$ (7,683)	$ (2,036)	$ 15,055	$ (4,203)	$ 1,659	$ 657	$ 37,691	$ (10,285)	$ 61,575	$ (28,086)
Capitalized capital outlay expenditures	18,557	11,596	28,306	13,501	7,486	7,906	18,222	20,265	17,411	45,355
Debt Service as a percentage of noncapital expenditures	37.43%	37.15%	43.24%	37.46%	32.92%	32.10%	26.79%	32.69%	32.28%	34.93%

Source: Annual Financial Report
Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

Midpeninsula Regional Open Space District

Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

County of Santa Clara

Fiscal Year	Secured	State Board	Unsecured	Total before Rdv. Increment	Total after Rdv. Increment	Total Direct Tax Rate
2010	$ 108,749,899	$ 5,138	$ 7,220,172	$ 115,975,209	$ 110,945,627	1.00%
2011	108,672,177	5,138	6,448,241	115,125,556	110,403,735	1.00%
2012	110,480,451	5,192	6,843,137	117,328,780	112,337,379	1.00%
2013	115,665,767	5,192	7,574,405	123,245,364	117,796,453	1.00%
2014	125,816,313	5,192	8,032,680	133,854,185	128,261,360	1.00%
2015	134,293,819	3,616	8,134,278	142,431,713	136,364,266	1.00%
2016	148,710,117	3,616	8,236,861	156,950,594	151,221,560	1.00%
2017	161,457,837	3,616	8,664,927	170,126,380	163,586,434	1.00%
2018	174,219,310	3,616	9,773,726	183,996,652	177,153,795	1.00%
2019	188,007,378	8,646	10,266,764	198,282,788	191,359,437	1.00%

County of San Mateo

Fiscal Year	Secured	State Board	Unsecured	Total before Rdv. Increment	Total after Rdv. Increment	Total Direct Tax Rate
2010	$ 51,288,838	$ 6,652	$ 2,039,518	$ 53,335,008	$ 49,431,098	1.00%
2011	51,197,326	6,653	2,006,682	53,210,661	49,373,928	1.00%
2012	51,670,521	2,465	1,952,159	53,625,145	49,913,049	1.00%
2013	53,793,234	2,465	1,948,563	55,744,262	51,977,724	1.00%
2014	57,513,572	2,336	2,180,554	59,696,462	55,714,674	1.00%
2015	60,798,837	2,343	2,087,353	62,888,533	58,641,318	1.00%
2016	66,177,633	3,086	2,363,781	68,544,500	63,519,108	1.00%
2017	72,017,698	3,085	2,640,434	74,661,217	68,354,025	1.00%
2018	78,506,564	3,085	2,996,701	81,506,350	73,565,159	1.00%
2019	85,236,395	2,658	2,756,478	87,995,531	79,176,299	1.00%

Source: California Municipal Statistics, Inc

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th. As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

Midpeninsula Regional Open Space District

Property Tax Rates

Direct and Overlapping[1] Property Tax Rates

Last Ten Fiscal Years

	County of Santa Clara (Tax Rate Area 6-001) [2]				County of San Mateo (Tax Rate Area 9-001) [3]			
Fiscal Year	General Property Tax Levy	Other Overlapping Governments	Open Space District	Total	General Property Tax Levy	Other Overlapping Governments	Open Space District	Total
2010	1.00000	0.11987	-	1.11987	1.00000	0.06970	-	1.06970
2011	1.00000	0.14951	-	1.14951	1.00000	0.07530	-	1.07530
2012	1.00000	0.15060	-	1.15060	1.00000	0.08120	-	1.08120
2013	1.00000	0.18750	-	1.18750	1.00000	0.08060	-	1.08060
2014	1.00000	0.18740	-	1.18740	1.00000	0.07470	-	1.07470
2015	1.00000	0.18304	-	1.18304	1.00000	0.08530	-	1.08530
2016 [4]	1.00000	0.17807	0.00080	1.17887	1.00000	0.08420	0.00080	1.08500
2017	1.00000	0.17160	0.00060	1.17220	1.00000	0.10990	0.00060	1.11050
2018	1.00000	0.18133	0.00090	1.18223	1.00000	0.10300	0.00090	1.10390
2019	1.00000	0.17126	0.00180	1.17306	1.00000	0.09240	0.00180	1.09420

Source: California Municipal Statistics, Inc.

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

[1] Due to the District's size and that it is located in two counties (County of Santa Cruz excluded), there is no tax rate area that represents the typical total tax rate for the District. The above tax rate areas are the largest in terms of assessed valuation for each County's portion of the District.

[2] The 2015-16 assessed valuation of Tax Rate Area (TRA) 6-001 is $23,936,719,617, which is 10.62% of the District's total assessed valuation.

[3] The 2015-16 assessed valuation of TRA 9-001 is $8,109,918,455, which is 3.60% of the District's total assessed valuation.

[4] Fiscal Year 2015-16 was the first year in which ad valorem property taxes authorized by Measure AA were levied.

Midpeninsula Regional Open Space District

Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

	Fiscal Year 2019			Fiscal Year 2010		
Taxpayer	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Board of Trustees, Leland Stanford Jr. University	$ 6,609,910	1	2.48%	$ 4,249,763	1	2.66%
Google Inc.	5,351,042	2	1.39%	436,617	7	0.27%
Campus Holdings Inc.	3,504,317	3	1.22%	*		*
Apple Computer Inc.	1,226,952	4	0.49%	659,212	2	0.41%
Hibscus Properties LLC	1,107,164	5	*	*		*
Sobrato Interests	1,063,697	6	0.31%	*		*
Lockheed Missiles and Space Co. Inc.	890,576	7	0.39%	558,761	3	0.35%
Yahoo Holdings Inc.	656,370	8	*	416,320	8	0.26%
Oracle Corp.	638,903	9	0.25%	530,234	4	0.33%
Richard T. Spieker, Trustee	616,741	10	*	*		*
Menlo & Juniper Networks LLC	612,073	11	0.24%	*		*
Applied Materials Inc.	531,041	12	0.19%	414,549	9	0.26%
Facebook Inc.	490,838	13	*	*		*
Intuitive Surgical Inc.	490,801	14	*	*		*
Peninsula Innovation Partnersh LLC	471,036	15	*	*		*
CW SPE LLC	459,732	16	*	*		*
Woodland Park Property Owner LLC	418,738	17	*	*		*
441 Real Estate LLC	406,680	18	*	*		*
Network Appliance Inc.	383,803	19	0.20%	464,314	6	0.29%
LinkedIn Corporation	376,325	20	*	*		*
VII Pac Shores Investors LLC	*		*	506,399	5	0.32%
Arden Realty LP	*		*	372,904	11	0.23%
HCP Life Science REIT Inc.	*		*	316,304	14	0.20%
Wells REIT II-University Circle LP	*		*	310,934	15	0.19%
SPF Mathilda LLC	*		*	277,440	16	0.17%
Silicon Valley CA I LLC	*		*	259,131	17	0.16%
Westport Office Park LLC	*		*	254,372	18	0.16%
Spansion LLC	*		*	229,155	19	0.14%
Loral Space & Communications, Inc.	*		*	210,131	20	0.13%
Hewlett Packard Co.	*		*	317,777	13	0.20%
Symantec Corporation	*		*	376,878	10	0.24%
Sun Microsystems Inc.	*		*	355,400	12	0.22%
Total	$ 26,306,739		7.16%	$ 11,516,595		7.19%

* Information not available

Source: California Municipal Statistics, Inc.

Midpeninsula Regional Open Space District

Property Tax Levies and Collections
Last Ten Fiscal Years

	Levy [1]		Collections			
Fiscal Year	Santa Clara County Taxes Levied	San Mateo County Taxes Levied	Santa Clara County Collections	% of County Levy	San Mateo County Collections	% of County Levy
2016	$ 1,186,363	$ 527,932	$ 1,177,636	99.3%	$ 524,982	99.4%
2017	968,301	431,711	962,730	99.4%	429,436	99.5%
2018	1,558,456	705,842	1,553,773	99.7%	701,923	99.4%
2019	3,365,744	1,532,834	3,348,991	99.5%	1,524,259	99.4%

Source: California Municipal Statistics, Inc.

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th. As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

[1] District's general obligation bond debt service levy. Prior years are not available. Levy began in FY2015-16

Midpeninsula Regional Open Space District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per-capita amount)

Fiscal Year	General Obligation Bonds	Debt Service Monies Available	Total	Taxable Assessed Value	Percentage of Taxable AV [1]	Per Capita [2]
2010	$ -	$ -	$ -	$ 160,376,725	0.000%	$ -
2011	-	-	-	159,777,663	0.000%	-
2012	-	-	-	162,250,428	0.000%	-
2013	-	-	-	169,774,177	0.000%	-
2014	-	-	-	183,976,034	0.000%	-
2015	-	-	-	195,005,584	0.000%	-
2016	45,000	3,116	41,884	214,740,668	0.020%	15.55
2017	44,225	2,194	42,031	231,940,459	0.018%	15.52
2018	104,570	5,785	98,785	250,718,954	0.039%	36.17
2019	102,880	6,776	96,104	270,535,736	0.036%	*

* Information not available

Source: Annual Financial Report

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th. As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

[1] See the Schedule of Assessed and Actual Value of Taxable Property for property value data.
[2] Population data can be found in the Schedule of Demographic and Economic Statistics.

Midpeninsula Regional Open Space District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(amounts expressed in thousands, except per-capita amount)

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Refunding Bonds	Bond Premiums	Notes Payable	Total	Taxable Assessed Value (AV)	Percentage of Taxable AV	Percentage of Personal Income	Per Capita
2010	$ -	$ 65,049	$ 52,204	$ 663	$ 5,755	$ 123,671	$ 160,376,725	0.077%	0.113%	$ 916
2011	-	64,995	50,988	607	6,429	123,019	159,777,663	0.077%	0.102%	841.22
2012	-	51,947	49,179	2,515	36,898	140,539	162,250,428	0.087%	0.105%	874.60
2013	-	51,568	47,994	2,351	37,039	138,952	169,774,177	0.082%	0.102%	867.07
2014	-	51,021	50,665	2,188	36,285	140,159	183,976,034	0.076%	0.094%	811.92
2015	-	20,385	49,935	6,973	59,271	136,564	195,005,584	0.070%	0.083%	723.87
2016	45,000	20,290	47,300	9,087	58,698	180,375	214,740,668	0.084%	*	*
2017	44,225	1,080	57,410	20,475	58,761	181,951	231,940,459	0.078%	*	*
2018	104,570	930	78,870	26,839	34,466	245,675	250,718,954	0.098%	*	*
2019	102,880	750	75,460	25,567	33,749	238,406	270,535,736	0.088%	*	*

* Information not available

Source: Annual Financial Report

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

(1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.
(2) Refer to the Demographics Statistics for personal income and population data.

Midpeninsula Regional Open Space District

Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Valuation:										
Assessed value subject to debt levy	$160,376,725	$159,777,663	$162,250,428	$169,774,177	$183,976,034	$195,005,584	$214,740,668	$231,940,459	$250,718,954	$270,535,736
Total assessed valuation	160,376,725	159,777,663	162,250,428	169,774,177	183,976,034	195,005,584	214,740,668	231,940,459	250,718,954	270,535,736
Debt Applicable to Limitation:										
Total debt	123,671	123,019	140,539	138,952	140,159	136,564	180,375	181,951	245,675	-
Less: amount available for repayment	-	-	-	-	-	-	3,116	2,194	5,785	-
Total debt applicable to limitation	123,671	123,019	140,539	138,952	140,159	136,564	177,259	179,757	239,890	-
Legal Debt Margin:										
Bonded debt limit (15% AV)	24,056,509	23,966,649	24,337,564	25,466,127	27,596,405	29,250,838	32,211,100	34,791,069	37,607,843	40,580,360
Debt applicable to limitation	123,671	123,019	140,539	138,952	140,159	136,564	177,259	179,757	239,890	-
Legal debt margin	$ 23,932,838	$ 23,843,630	$ 24,197,025	$ 25,327,175	$ 27,456,246	$ 29,114,274	$ 32,033,841	$ 34,611,312	$ 37,367,953	$ 40,580,360

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

Under California Government Code Section 61126 (b) the Midpeninsula Regional Open Space District shall not incur bonded indebtedness that exceeds 15% of the total assessed property value.

Midpeninsula Regional Open Space District

Demographic and Economic Statistics
Last Ten Fiscal Years

County of Santa Clara

Fiscal Year	Population [1]	Personal Income [2] (in millions)	Per Capita Personal Income [2]	Median Age [3]	School Enrollment [4]	County Unemployment Rate [5]
2010	1,880,876	$ 109,495	$ 61,289	35.8	265,643	10.5%
2011	1,797,375	120,376	66,366	36.0	266,256	9.6%
2012	1,816,486	133,912	72,704	36.2	270,109	8.2%
2013	1,842,254	136,118	72,754	36.4	273,701	6.8%
2014	1,868,558	149,717	78,955	36.6	276,175	5.2%
2015	1,889,638	165,323	86,141	36.8	276,689	4.3%
2016	1,927,888	178,029	92,168	36.8	274,948	3.9%
2017	1,938,180	190,002	98,032	*	273,264	3.4%
2018	1,956,958	*	*	*	272,132	2.9%
2019	1,954,286	*	*	*	267,224	2.9%

County of San Mateo

Calendar Year	Population [1]	Personal Income [2] (in millions)	Per Capita Personal Income [2]	Median Age [3]	School Enrollment [4]	County Unemployment Rate [5]
2010	719,951	$ 53,084	$ 73,739	39.3	91,371	8.5%
2011	729,425	58,228	79,872	39.4	92,097	7.9%
2012	740,738	65,167	87,986	39.6	93,674	6.8%
2013	750,489	65,656	87,501	39.3	93,931	5.6%
2014	758,581	71,111	93,672	39.4	94,567	4.3%
2015	759,155	78,607	102,516	39.8	95,187	3.5%
2016	765,895	82,046	106,615	39.5	95,502	3.2%
2017	770,203	87,486	113,410	*	95,620	2.9%
2018	774,155	*	*	*	95,155	2.5%
2019	774,485	*	*	*	94,234	2.4%

* Information not available

Data Sources
[1] State of California Department of Finance
[2] U.S. Department of Commerce Bureau of Economic Analysis
[3] U.S Census Bureau, American Community Survey
[4] State of California Department of Education
[5] State of California Employment Development Department, Labor Market Division

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th. As a result, FY 2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

Midpeninsula Regional Open Space District

Principal Employers
Most Current Year and Nine Years Ago

County of Santa Clara

Employer	2018 [4] Number of Employees [1]	2018 Rank	2018 Percentage of Total Employment	2009 Number of Employees [2]	2009 Rank	2009 Percentage of Total Employment
Apple Computer, Inc.	25,000	1	2.44%	10,000	3	1.23%
Alphabet/Google Inc.	20,000	2	1.95%	*		*
County of Santa Clara	18,806	3	1.84%	*		*
Stanford University	16,919	4	1.65%	*		*
Cisco Systems Inc.	14,120	5	1.38%	13,000	1	1.60%
Kaiser Permanente	12,500	6	1.22%	5,000	10	0.61%
Stanford Healthcare	10,034	7	0.98%	5,500	8	0.68%
Tesla Mortors Inc.	10,000	8	0.98%	*		
Intel Corporation	8,450	9	0.83%	5,000	9	0.61%
City of San Jose	6,159	10	0.60%	*		
Lockheed Martin Space Systems Co.	*		*	10,400	2	1.28%
Intuit, Inc.	*		*	8,000	4	0.98%
IBM Corporation	*		*	7,650	5	0.94%
Hewlett-Packard Co.	*		*	7,000	6	0.86%
KLA-Tencor Corporation	*		*	6,200	7	0.76%
Total	141,988		13.87%	77,750		9.55%

County of San Mateo [3]

Employer	2017 [4] Number of Employees	2017 Rank	2017 Percentage of Total Employment	2009 Number of Employees	2009 Rank	2009 Percentage of Total Employment
United Airlines	12,000	1	2.74%	*		*
Genentech Inc.	11,000	2	2.51%	8,800	1	2.60%
Facebook Inc.	7,091	3	1.62%	*		*
Oracle Corp.	6,781	4	1.55%	5,642	2	1.66%
County of San Mateo	5,485	5	1.25%	5,179	3	1.53%
Gilead Sciences Inc.	3,900	6	0.89%	1,480	10	0.44%
Visa U.S.A. Inc.	3,500	7	0.80%	*		*
Electronics Arts Inc.	2,367	8	0.54%	2,000	6	0.59%
Roberto Half International Inc.	1,790	9	0.41%	*		*
You Tube LLC.	1,700	10	0.39%	*		*
Kaiser Permanente	*		*	3,790	4	1.12%
Mills-Peninsula Health Services	*		*	2,500	5	0.74%
United States Postal Service	*		*	1,964	7	0.58%
San Mateo Community College District	*		*	1,800	8	0.53%
SLAC National Accelerator Laboratory	*		*	1,650	9	0.49%
Total	55,614		12.70%	34,805		10.28%

* Information not available

Source:
[1] Silicon Valley Business Journal, July 27, 2018
[2] County of Santa Clara Finance Department. FY2008-09 CAFR
[3] San Francisco Business Times - 2018 Book of Lists and California Employment Development Department
[4] Latest information available for principal employers in the County of San Mateo and County of Santa Clara.

Attachment 1

Midpeninsula Regional Open Space District

Full-time Equivalent District Government Employees by Function
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function										
Office of the General Manager	3.00	3.00	4.00	4.00	4.00	5.00	6.00	8.00	8.00	8.00
Real Property	5.00	5.00	5.00	5.00	5.00	6.00	7.00	4.00	5.00	5.00
Plannning	13.50	14.00	14.00	14.00	14.00	14.00	14.00	10.50	11.50	10.50
Engineering & Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.50	7.50	7.50
Public Affairs	8.00	8.00	8.00	9.00	9.00	11.00	12.00	8.00	8.00	8.00
Admininstration										
Reception	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Finance	3.25	3.25	3.25	3.25	4.75	4.75	5.25	9.25	9.25	10.25
Human Resources	2.00	2.00	2.50	3.50	3.50	5.50	7.00	7.00	7.00	7.00
Information Technology [1]	1.00	1.00	1.00	2.00	2.50	2.50	5.50	7.50	7.50	7.50
Operations										
Administration	6.50	6.00	6.00	6.00	6.00	6.00	6.00	N/A	N/A	N/A
Patrol	23.00	28.00	28.00	28.00	28.00	31.00	32.00	N/A	N/A	N/A
Land/Facilities Maintenance	20.00	26.00	26.00	26.00	26.00	28.30	30.30	N/A	N/A	N/A
Resource Management [2]	6.00	6.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Land & Facilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	49.30	53.30	56.30
Visitor Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41.90	41.90	41.90
General Counsel	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Natural Resources [2]	N/A	N/A	8.00	8.00	8.00	9.00	10.00	11.00	12.00	12.00
Total	94.75	105.75	109.25	112.25	114.25	126.55	138.55	165.45	174.45	177.45

Source: Midpeninsula Regional Open Space District

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

[1] In 2015, the GIS function was integrated into Information Technology from the Planning Department
[2] In 2012, the Resource Management function under the Operations Department became the Natural Resources Department

During 2015, the District underwent a complete reorganization which become effective during FY 2016-17. As part of the reorganization, the Planning Department was split with a new Engineering & Construction Department, a portion of Real Property and Operations became the new Land & Facilities Department, and part of Public Affairs and Operations/Patrol became the new Visitor Services Department.

Midpeninsula Regional Open Space District

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function										
Land:										
Number of preserves	26	26	26	26	26	26	26	26	26	26
Acreage:										
Santa Clara County	31,833.31	32,380.35	32,990.49	33,006.79	33,158.80	33,259.21	33,366.71	33,449.99	33,628.15	33,630.26
San Mateo County	26,588.84	26,704.01	27,625.36	28,668.49	28,977.86	29,063.13	29,452.58	29,643.96	29,664.41	29,854.41
Santa Cruz County	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18	2,004.18
less: easements and life estates held by other parties	(1,825.88)	(1,825.88)	(1,825.88)	(1,825.88)	(1,825.88)	(1,825.88)	(1,825.88)	(1,825.88)	(1,802.88)	(1,802.88)
Total	58,600.45	59,262.66	60,794.15	61,853.58	62,314.96	62,500.64	62,997.59	63,272.25	63,493.86	63,493.86
Facilities:										
Administrative office	1	1	1	1	1	1	1	1	1	1
Field/patrol offices	2	2	2	2	2	2	2	2	3	3
Visitor Center	2	2	2	2	2	2	2	2	2	2
Vehicles & Equipment:										
Patrol vehicles	32	35	37	39	41	38	37	42	36	34
Service vehicles	3	3	3	3	5	8	10	13	10	11
Maintenance vehicles	5	6	8	9	13	16	19	25	29	31
Administrative vehicles	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13	13
Motorcycles/ATVs/Electric bicycles	13	13	13	13	13	13	13	13	27	27
Bulldozers/excavators/tractors	16	17	17	20	21	21	23	23	20	23
Dump trucks	3	4	4	4	4	5	5	5	4	6
Water Truck	1	1	2	2	2	2	2	2	2	2
Trailers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	25	27
Chippers/mowers	2	2	2	2	4	4	5	5	5	5

Source: Midpenninsula Regional Open Space District

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY2015-16 is a fifteen (15) month period rather than a twelve (12) month period.
Beginning with FY2017-18 the District is using a new system for classifying and tracking vehicles and equipment.

Midpeninsula Regional Open Space District

Operating Indicators by Function
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function										
General Manager										
Board meetings	37	31	45	36	35	33	31	31	44	32
Resolutions adopted	50	41	56	20	39	61	61	40	46	47
Real Property										
Acres preserved										
Santa Clara County	204.25	547.04	492.99	16.30	152.01	100.41	107.50	83.28	178.18	2.11
San Mateo County	1,263.40	115.17	921.35	1,043.14	309.37	393.26	81.45	191.38	20.46	190.00
Public Affairs										
Stewardship volunteer hours	9,849	11,314	11,843	11,232	13,579	14,354	15,839	17,440	16,088	15,910
Interpretation and education docent hours	3,305	5,433	4,669	5,559	4,718	5,828	4,462	4,697	4,320	4,438
Website visits	274,559	274,133	434,402	349,398	359,432	418,748	429,891	487,215	589,280	524,387
Operations										
Bicycle Accident	25	22	36	37	30	20	26	19	37	13
Equestrian Accident	2	1	1	2	-	1	2	-	-	1
Hiking/Running Accident	21	18	16	16	22	20	14	37	40	11
Other first aid	10	15	25	24	15	25	26	23	31	13
Search & rescue	11	15	10	8	5	8	3	4	2	2
Vehicle Accident	8	11	16	15	14	19	14	17	50	15
Fire	6	5	7	8	16	9	10	9	13	4
HazMat	3	3	-	-	1	1	6	1	3	1
Subject Citation/Juvenile Contact Report	558	509	526	737	617	825	767	678	592	405
Parking Citation	386	434	527	621	584	700	645	836	870	375
Arrests	2	1	1	2	1	4	3	2	-	2
Day Permits	954	1,059	1,235	1,237	1,521	2,154	2,541	2,530	2,676	2,417
Multi-day permits	214	248	225	253	306	306	321	366	419	361
Camping permits	221	259	341	336	393	476	573	613	570	571

Source: Midpenninsula Regional Open Space District

Notes: Starting fiscal year (FY) 2015-16 the District changed from a fiscal year end date of March 31st to June 30th.
As a result, FY2015-16 is a fifteen (15) month period rather than a twelve (12) month period.

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MIDPENINSULA REGIONAL OPEN SPACE

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*

To the Board of Directors
of the 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 governmental activities and each major fund of Midpeninsula Regional Open Space District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2019.

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 District'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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 11, 2019
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

Russian Ridge Open Space Preserve by Jim Mosher

Photos on front cover:
Top photo: Purisima Creek Redwoods Open Space Preserve by Maila Pinlacperez
Second row, left to right: Russian Ridge Open Space Preserve by Rosalina Calderon;
Rancho San Antonio Open Space Preserve by Selwyn Quan;
Russian Ridge Open Space Preserve by Karl Kohl

MIDPENINSULA REGIONAL OPEN SPACE

Midpeninsula Regional Open Space District
330 Distel Circle
Los Altos, California 94022-1404
650-691-1200
info@openspace.org
openspace.org

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RESOLUTION NO. 19-___

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT APPROVING THE TRANSFER OF FUNDS FROM THE GENERAL FUND UNASSIGNED FUND BALANCE INTO THE COMMITTED FOR INFRASTRUCTURE RESERVE FUND, THE COMMITTED FOR CAPITAL MAINTENANCE FUND, AND THE COMMITTED FOR FUTURE ACQUISITION/CAPITAL PROJECTS FUND

WHEREAS, the Unassigned Fund Balance of the Midpeninsula Regional Open Space District is $22,515,392 as of June 30, 2019; and

WHEREAS, per the Fund Balance Policy as adopted by the Board of Directors on October 26, 2016, the minimum required Unassigned Fund Balance of the Midpeninsula Regional Open Space District is $15,616,500 as of July 1, 2019; and

WHEREAS, the District issued the 2017 Parity Bonds to finance the acquisition and renovation of the South Area Office and the renovation of the new Administrative Office; and

WHEREAS, given the construction market and inflation, the District is anticipated to incur increased future construction and maintenance costs for capital projects and assets; and

WHEREAS, the District expects to require further funding in order to continue its program of land acquisition, and construction and maintenance of capital projects; and

WHEREAS, the General Manager recommends allocating unassigned funds from the General Fund Unassigned Fund Balance in order to increase the Committed for Infrastructure Reserve Fund for acquisition of a new administrative office and renovation of staff facilities; the Assigned for Ongoing Capital Projects Fund to provide financing for ongoing capital projects; and transferring the balance of the Committed for Natural Disasters Fund to the Committed for Capital Maintenance & Repair Fund for the future costs to be incurred for the maintenance, repair and replacement of District assets.

NOW, THEREFORE, the Board of Directors of the Midpeninsula Regional Open Space District does resolve as follows:

SECTION ONE. The following transfers are approved and the General Manager or designee is authorized to implement said transfers as follows: $4,600,000 from the General Fund Unassigned Fund Balance to the Committed for Infrastructure Reserve Fund, $3,000,000 from the Committed for Natural Disasters to the Committed for Capital Maintenance & Repair Fund, and $1,400,000 from the General Fund Unassigned Fund Balance to the Assigned Fund for Ongoing Capital Projects.

* * * * * * * * * * * * * * * * * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on ______, 2019, at a regular meeting thereof, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: **APPROVED:**

____
Secretary
Board of Directors

____
President
Board of Directors

APPROVED AS TO FORM:

____
General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

____
District Clerk

Midpeninsula Regional Open Space District

Board Policy Manual

Fund Balance Policy in Accordance with GASB Statement No. 54	Policy 3.07 Chapter 3 – Fiscal Management
Effective Date: 11/25/14	Revised Date: 11/20/2019~~06/27/2018~~
Prior Versions: 11/25/14, 10/26/16, 06/27/2018	

Purpose
The following policy is created and approved by the Board of Directors in order to [1] provide adequate funding to meet the District's short-term and long-term plans, [2] provide funds for unforeseen expenditures related to emergencies such as natural disasters, [3] strengthen the financial stability of the District against present and future uncertainties such as economic downturns and revenue shortfalls, and [4] maintain an investment-grade bond rating. This policy has been developed, with the counsel of the District auditors, to meet the requirements of GASB 54.

This policy identifies the required components of fund balance, the level of management authorized to approve or change target balances in each fund, the amounts that the District will strive to maintain in each fund, and the conditions under which fund balances may be spent, reimbursed and reviewed.

Policy

The components of District fund balance are as follows:

Non-Spendable fund balance includes amounts that cannot be spent either because they are not in spendable form, e.g. prepaid insurance, or because of legal or contractual constraints. At all times, the District shall hold fund balance equal to the sum of its non-spendable assets.

Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by constitutional provisions, enabling legislation, creditors, or contracts. Individual funds will be identified by the General Manager and Controller and the amounts set based on legal or contractual requirements. Funds may only be spent as specified by contract or as externally directed. The continuing need for each fund and the amount reserved will be reviewed annually.

Committed fund balance includes amounts that are constrained for specific purposes that are internally imposed by the District Board of Directors. Individual funds and target amounts will be established by the Board. Committed funds may include but are not limited to: Capital Maintenance, Equipment Replacement, Infrastructure, Natural Disasters, and Promissory Note. Projects to be funded by committed funds require the approval of the Board. The continuing need for each fund and the amount reserved will be reviewed annually. Any changes require the approval of two-thirds of the Board.

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither restricted nor committed. Such amounts may be assigned by the General Manager if authorized by the Board of Directors to make such designations. Projects to be funded by assigned funds require the approval of the General Manager. The continuing need for each fund and the amount reserved will be reviewed annually.

Unassigned fund balance includes amounts within the general fund, which have not been classified within the above categories. The minimum amount of unassigned fund balance is calculated as 30% of the Budgeted General Fund Tax Revenue. This minimum unassigned fund balance is to be held in reserve in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. Any spending from this minimum general fund reserve requires the approval of the Board. Any such spending will be reimbursed within two years. If such reimbursement exceeds 5% of the Budgeted General Fund Tax Revenue, the Board may decide to limit the reimbursement at 5% and extend the reimbursement period beyond two years, as needed. The minimum reserve amount calculation will be reviewed annually as part of the annual budget process.

The specific reserve funds are as follows:

Restricted Funds

[1] **Retiree Healthcare Plan Fund**: established in 2008 with a $1.9 million contribution to the California Employers' Retiree Benefit Trust; all withdrawals per Board-approved plan; amount of annual contribution authorized by the Board as part of the annual budget.

[2] **Hawthorns Fund**: established in 2011 with a $2.0 million endowment from the Woods Family Trust, to provide stewardship funding for the Hawthorns property in Portola Valley; amount to be withdrawn each year authorized by the Board as part of the annual budget.

[3] Section 115 Trust: established in 2018 with an initial deposit of $500,000 to provide an alternative investment vehicle to pre-fund the District's unfunded pension liabilities. Additional contributions to the trust fund will be authorized by the Board.

Committed Funds

[1] **Capital Maintenance Fund**: Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require District assets to be in good working order; annual maintenance costs for existing District assets are anticipated. Funding for such capital maintenance expenditures is not available from general obligation bonds under Measure AA. This fund may also serve as a funding source for needed repairs to District built and natural infrastructure (including, but not limited to trails, streams, ponds and other natural infrastructure) arising from natural disasters. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with maintenance of a particular improvement. The amount to be

withdrawn each year for the Capital Maintenance Fund will be authorized by the Board as part of the annual budget.

[2] **Equipment Replacement Fund**: Implementation of District projects requires corresponding purchase and replacement of field and office equipment and vehicles. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with equipment replacement needs. The amount to be withdrawn each year for the Equipment Replacement Fund will be authorized by the Board as part of the annual budget.

[3] **Infrastructure Fund**: Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require expansion of field and office facilities beginning in fiscal 2016. The amount to be withdrawn each year for the Infrastructure Fund will be authorized by the Board as part of the annual budget.

[~~4] **Natural Disaster Fund**: The District must be prepared to undertake emergency expenditures required to respond quickly to a major fire, earthquake or flood. The General Manager will recommend, and the Board may authorize an initial reserve amount to prepare for natural disasters. All withdrawals from the Natural Disaster Fund require the approval of the General Manager.~~

[4~~5~~] **Promissory Note Sinking Fund**: The District has the Hunt Promissory Note, an interest only loan with a balloon principal payment due in FY2022/23. The General Manager will recommend, and the Board may authorize an initial reserve amount, with annual contributions continuing through FY2022/23. The amount to be withdrawn from the Promissory Note Fund (anticipated in FY2022/23; intended for the principal balloon payment) will be authorized by the Board as part of the annual budget. Once the principal has been paid and the Promissory Note is retired, this paragraph may be administratively removed from the Policy.

Assigned Funds

[1] Assigned Fund for Ongoing Capital Projects: ~~None~~Represents unspent prior year fiscal encumbrances rolled forward as a funding source for ongoing capital projects.