Midpeninsula Regional Open Space District

R-23-19
Meeting 23-06
February 22, 2023

**AGENDA ITEM 3**

**AGENDA ITEM**

Fiscal Year 2022 Annual Financial Report

**GENERAL MANAGER'S RECOMMENDATIONS**

1. Review and accept the Fiscal Year 2021-22 (FY22) Annual Financial Report.

2. Adopt a resolution approving the transfer of a total of $7.65 million from the General Fund Unassigned Fund balance consisting of: $5.0 million to the Committed for Infrastructure Fund; $1.65 million to the Committed Fund for Future Acquisitions and Capital Projects; and $1.0 million to the Committed for Equipment Replacement Fund.


**SUMMARY**

Fiscal Year ending June 30, 2022 (FY22) expenditures totaled $76.4 million, which is 10.9% below the final adjusted budget of $85.8 million. The Board of Directors (Board) adopted the final adjusted budget on May 25, 2022 (R-22-15). Revenue for FY22 totaled $69.7 million, or 1.7% below the final projected revenue of $70.9 million.

The Unassigned Fund balance is approximately $9.8 million more than the minimum fund balance requirement of 30% of future budgeted tax revenue. To ensure adequate funding for future acquisitions and other capital projects, the General Manager and Controller recommend a total transfer of $7.65 million to the following Committed Funds:

$5.00 million to the Committed Fund for Infrastructure
$1.65 million to the Committed Fund for Future Acquisitions and Capital Projects
$1.00 million to the Committed Fund for Equipment Replacement


**DISCUSSION**

**<u>Revenues</u>**

The estimated property tax revenue for FY22 was $58.5 million, and the actual amount received as of June 30, 2022 was $58.8 million. Total District revenues under fund Fund 10 – General Fund Operating includes property tax revenues, plus rental income, interest income, donations and other miscellaneous revenues (see table below). In addition, Measure AA (MAA) bond funds provided $2.6 million for capital improvement projects within the 25 portfolios. MAA bond funds and grant reimbursements for eligible MAA projects comprise Fund 30 – Measure AA Capital in the table below. Property tax revenues from MAA are listed under Fund 50 – Debt Service.

## Table 1A – District Revenues by Fund

| DISTRICT REVENUES (By Fund) | FY22 Adopted Budget | FY22 Final Adjusted Budget | FY22 Year-End Actuals | $ Change from FY22 Final Adjusted Budget | % Revenues of FY22 Final Adjusted Budget |
|---|---|---|---|---|---|
| Fund 10 - General Fund Operating | $ 60,291,232 | $ 61,104,232 | $ 60,829,727 | $ (274,505) | 100% |
| Fund 20 - Hawthorn Fund | $ 5,000 | $ 5,000 | $ (58,960) | $ (63,960) | -1179% |
| Fund 30 - Measure AA Capital | $ 3,297,932 | $ 4,222,932 | $ 3,364,748 | $ (858,184) | 80% |
| Fund 40 - General Fund Capital | $ - | $ - | $ (12) | $ (12) | 0% |
| Fund 50 - Debt Service | $ 5,579,000 | $ 5,579,000 | $ 5,594,234 | $ 15,234 | 100% |
| **TOTAL DISTRICT REVENUES** | **$ 69,173,164** | **$ 70,911,164** | **$ 69,729,737** | **$ (1,181,427)** | **98%** |

## Expenditures

The District ended the year with total expenditures of $76.4 million, which is approximately $9.3 million or 10.9% below the final adjusted budget. Excluding capital expenditures and debt service, total operating expenditures were $34.89 million, which is $4.39 million, or approximately 11.2% below the final adjusted budget. The District's FY22 total expenditures remained within the approved budget. Expenditures by category are listed in Table 1B and by fund in Table 1C.

## Table 1B– District Budget & Expenditures by Fund Category

| DISTRICT EXPENDITURES (By Fund) | FY22 Adopted Budget | FY22 Final Adjusted Budget | FY22 Year-End Actuals | $ Change from FY22 Final Adjusted Budget | % Spent of FY22 Final Adjusted Budget |
|---|---|---|---|---|---|
| Fund 10 - General Fund Operating | $ 41,413,605 | $ 39,278,377 | $ 34,889,141 | $ (4,389,236) | 89% |
| Fund 20 - Hawthorn Fund | $ 124,500 | $ 38,450 | $ 14,443 | $ (24,007) | 38% |
| Fund 30 - Measure AA Capital | $ 8,697,439 | $ 7,268,376 | $ 5,969,148 | $ (1,299,228) | 82% |
| Fund 40 - General Fund Capital | $ 23,360,120 | $ 23,169,520 | $ 19,529,525 | $ (3,639,995) | 84% |
| Fund 50 - Debt Service | $ 16,044,888 | $ 16,044,888 | $ 16,044,888 | $ - | 100% |
| **TOTAL DISTRICT EXPENDITURES** | **$ 89,640,552** | **$ 85,799,611** | **$ 76,447,145** | **$ (9,352,466)** | **89%** |

## Table 1C – District Operating and Non-Operating Budget & Expenditures

| DISTRICT EXPENDITURES (All Funds) | FY22 Adopted Budget | FY22 Final Adjusted Budget | FY22 Year-End Actuals | $ Change from FY22 Final Adjusted Budget | % Spent of FY22 Final Adjusted Budget |
|---|---|---|---|---|---|
| Salaries and Benefits | $ 28,496,804 | $ 27,941,175 | $ 25,963,012 | $ (1,978,163) | 93% |
| Services and Supplies | $ 13,613,301 | $ 11,354,402 | $ 9,323,616 | $ (2,030,786) | 82% |
| **Total Operating Expenditures** | **$ 42,110,105** | **$ 39,295,577** | **$ 35,286,628** | **$ (4,008,949)** | **90%** |
| Capital/Fixed Asset Expenditures | $ 31,485,559 | $ 30,459,146 | $ 25,115,629 | $ (5,343,517) | 82% |
| Debt Service | $ 16,044,888 | $ 16,044,888 | $ 16,044,888 | $ - | 100% |
| **Total Non-Operating Expenditures** | **$ 47,530,447** | **$ 46,504,034** | **$ 41,160,517** | **$ (5,343,517)** | **89%** |
| **TOTAL DISTRICT EXPENDITURES** | **$ 89,640,552** | **$ 85,799,611** | **$ 76,447,145** | **$ (9,352,466)** | **89%** |

## Fund Balance

Before budget adjustments, the General Fund Unassigned Fund Balance increased by $8.9 million from $18.0 million to $26.9 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 FY23 is

$62,404,000, requiring the District to maintain a minimum General Fund Unassigned Fund Balance of $18,631,200.

At the end of the third quarter of FY22, the Board of Directors approved a transfer of $5.5 million from the Unassigned Fund Balance in the following amounts: $3 million to the Committed Fund for Infrastructure, $1 million to the Committed Fund for Capital Maintenance, and $1.5 million to the Committed Fund for Future Acquisitions and Capital Projects. The General Manager and Controller recommend a transfer of a further $7.65 million from the Unassigned Fund Balance consisting of the following amounts: $1.0 million to the Committed Fund for Equipment; $1.65 million to the Committed Fund for Future Acquisitions and Capital Projects; and $5.0 million to the Committed Fund for Infrastructure. This transfer will set aside additional reserve funds as the District continues to move forward with land acquisition, acquisition/construction of future District facilities in the Coastal Area, and build-out of other facility/infrastructure projects. After the proposed transfers, the General Fund Unassigned Fund Balance will be $19.26 million, which is $0.54 million above the required $18,721,200 (30% of FY23 projected property tax revenues). A summary of the balances for all District funds (inclusive of the Q3 transfer) as of June 30, 2022 is shown in Table 2:

**Table 2 – District Fund Balances (All Governmental Funds)**

| Fund | Balance as of 6/30/2022 | Transfer | *Balance - proposed ** | Minimum Required GF Unassigned Fund Balance | Balance Above Minimum Required |
|---|---|---|---|---|---|
| Nonspendable for prepaid expenditures/lease receivable | $ 839,609 | | $ 839,609 | N/A | N/A |
| Restricted for debt service | $ 4,148,795 | | $ 4,148,795 | N/A | N/A |
| Restricted for Measure AA Projects | $ 19,530,564 | | $ 19,530,564 | N/A | N/A |
| Restricted for Hawthorn maintenance | $ 1,428,333 | | $ 1,428,333 | N/A | N/A |
| Restricted for Pension | $ 6,920,266 | | $ 6,920,266 | N/A | N/A |
| Committed for Equipment Replacement | $ 3,000,000 | $ 1,000,000 | $ 4,000,000 | N/A | N/A |
| Committed for Capital Maintenance & Repairs | $ 8,250,000 | | $ 8,250,000 | N/A | N/A |
| Committed for Future Acquisitions & Capital Projects | $ 13,450,000 | $ 1,650,000 | $ 15,100,000 | N/A | N/A |
| Committed for Promissory Note | $ 1,500,000 | | $ 1,500,000 | N/A | N/A |
| General Fund Infrastructure Reserve Fund | $ 3,135,087 | $ 5,000,000 | $ 8,135,087 | N/A | N/A |
| Assigned for ongoing capital projects | $ 1,266,474 | | $ 1,266,474 | N/A | N/A |
| General Fund Unassigned Fund | $ 26,913,060 | $ (7,650,000) | $ 19,263,060 | 18,721,200 | $ 541,860 |
| | **$ 90,382,188** | **$ -** | **$ 90,382,188** | **$ 18,721,200** | **$ 541,860** |
| * Final balances already include the Q3 adjustment (R22-15) | | | | | |

## Operating Expenditures

Salaries and benefits ended the year at $26.0 million, or 7.1% below the final adjusted budget. However, this does not include a $1.5 million contribution to the Section 115 Trust established as an investment vehicle to make prepayments towards the District’s unfunded pension liability. For accounting purposes, this transfer of cash and the expenditure is not recorded until the Section 115 funds are forwarded to CalPERS. Salary savings were due to several vacancies during the course of the fiscal year, particularly as the hiring process continued to be slow due to the impact of the COVID-19 pandemic and overall hiring environment. Expenditures for Services and Supplies were $2.0 million or 17.9% below budget primarily due to lower than budgeted spending in contract and outside services in most departments, as well as reduced maintenance expenses. The continuing effects of the ongoing COVID-19 pandemic slowed the pace of expenditures and project execution.

**Fixed Assets and Capital Projects**

Expenditures for capital projects ended the year at $25.1 million, or approximately 17.5% below the final adjusted budget. Capital project delays were associated with the following factors:

- COVID-19 impacts that affected project schedules (supply-chain disruptions, outside labor shortage, delayed permits/regulatory agency reviews)
- Higher than usual carry-over of invoice payments to the following fiscal year due a delayed invoicing for the Administration Office project (approx. $2.2 million)
- Changes to scope/tasks (including re-bidding and value engineering) that extended project schedules and the start of contracted work for several construction projects.

**Land and Associated Costs**

During the FY22, the District purchased and preserved approximately 42 acres of open space land at a total cost of $0.2 million.

**Long-Term Debt and Debt Service**

Debt service expenses in FY22 totaled $16.04 million, consisting of $8.1 million in principal, $7.9 million in interest. The total also includes $5.3 million for debt service on Measure AA General Obligation bonds.

**Past Budget Performance**

Table 3 below presents a comparison of FY22 budget performance to the prior four fiscal years. Overall budgeted expenditures have historically ranged between 86% and 99% of the actual amounts.

As a reminder, land acquisitions are funded through budget amendments at the time the Board considers the purchase to reflect the opportunistic nature of land purchases, which are not guaranteed until an offer is accepted, the purchase approved, and escrow closed. This funding approach for land acquisitions produces a more predictable overall budget utilization rate in the long term.

**Table 3 – Past Performance**

| DISTRICT EXPENDITURES | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Operating Expenses | 90% | 90% | 87% | 94% | 90% |
| Capital (CAPEX) | 79% | 79% | 76% | 79% | 84% |
| Land & Assoc. Costs | 92% | 92% | 96% | 82% | 70% |
| Debt Service | 102% | 100% | 100% | 100% | 100% |
| **TOTAL EXPENDITURES** | **86%** | **99%** | **90%** | **97%** | **90%** |

**Hawthorn Fund**

The FY22 expenditures from the Hawthorn Fund totaled $14,443, which is 62.4% below the final adjusted budget of $38,450 (Table 4). Basic repairs and ongoing property maintenance were completed in FY22.

**Table 4 – Hawthorn Fund Budget and Expenditures**

| Budget Category | FY22 Adopted Budget | FY22 Final Adjusted Budget | FY22 Year-End Actuals | $ Change from FY22 Final Adjusted Budget | % Spent of FY22 Final Adjusted Budget |
|---|---|---|---|---|---|
| Operating Expenses | $ 77,200 | $ 17,200 | $ 14,443 | $ (2,757) | 84% |
| Capital Expenses | $ 47,300 | $ 21,250 | $ - | $ (21,250) | N/A |
| **HAWTHORN TOTAL** | **$ 124,500** | **$ 38,450** | **$ 14,443** | **$ (24,007)** | **38%** |

The Hawthorn Endowment Fund balance as of June 30, 2022 is $1.4 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 $6.0 million and increasing the:

Committed Fund for Infrastructure by $5.0 million
Committed Fund for Equipment by $1.0 million

**Table 5 – Proposed Fiscal Impact**

| Fund | Balance as of 6/30/2022 | Transfer | *Balance - proposed* | Minimum Required GF Unassigned Fund Balance | Balance Above Minimum Required |
|---|---|---|---|---|---|
| General Fund Unassigned Fund | $ 26,913,060 | $ (7,650,000) | $ 19,263,060 | $ 18,721,200 | $ 541,860 |
| Committed for Future Acquisitions and Capital Projects | $ 13,450,000 | $ 1,650,000 | $ 15,100,000 | | |
| Committed for Equipment | $ 3,000,000 | $ 1,000,000 | $ 4,000,000 | | |
| Committed for Infrastructure | $ 3,135,097 | $ 5,000,000 | $ 8,135,097 | N/A | N/A |

## BOARD AND 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 the Board’s acceptance of the audited financial statements, staff will proceed with final submission of the Annual Comprehensive Financial Report (ACFR) to the Government Finance Officers Association award program.

Attachments:

1. Annual Financial Report for the Fiscal Year Ending June 30, 2022
2. Resolution approving the transfer of funds from the Unassigned Fund into the Committed for Infrastructure, Committed for Future Acquisitions and Capital Projects, and the Committed Fund for Equipment Replacement.

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

Prepared by:
Andrew Taylor, Finance Manager

# MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022

* * *

**Chavan & Associates, LLP**
Certified Public Accountants
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Morgan Hill, CA 95037

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MIDPENINSULA REGIONAL OPEN SPACE

# *Introductory Section*

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**Midpeninsula Regional Open Space District**
Santa Clara County, California
Annual Financial Report
For the Year Ended June 30, 2022

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MIDPENINSULA REGIONAL OPEN SPACE

# *Financial Section*

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# INDEPENDENT AUDITOR'S REPORT

To the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 June 30, 2022, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of a Matter**

*New Accounting Standards*

During the year, the District implemented GASB Statement No. 87, *Leases.* As a result, the District recorded leases receivable of $5,346,462 and related deferred inflows of resources of $4,712,228, increasing beginning net position by $634,234. See note 1 for additional information. Our opinion was not modified for this matter.

**Responsibilities of Management for the Financial Statements**

District management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**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

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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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 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

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performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

January 26, 2023
Morgan Hill, California

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# *Management's Discussion and Analysis*

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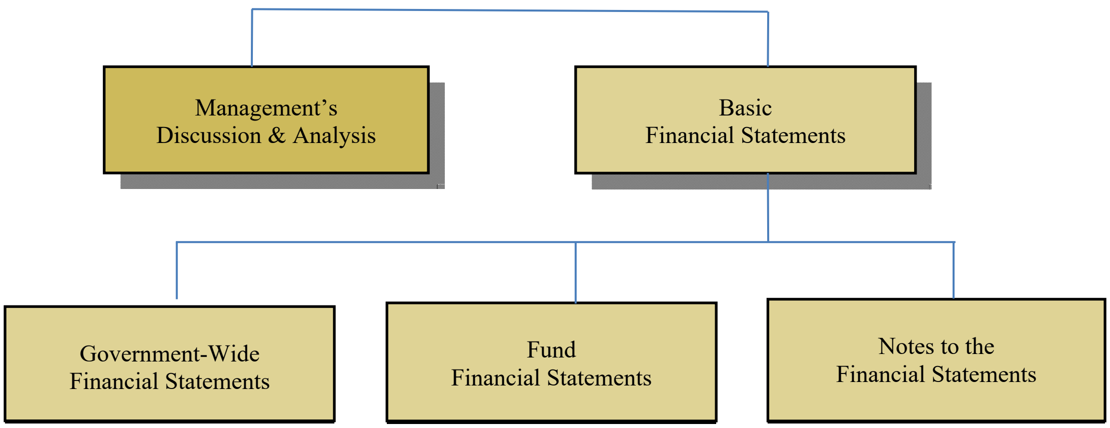
## INTRODUCTION

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, 2022. 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 2021-2022. 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 2021-2022 assessed valuation reports released in August 2021 showed District-wide assessed values increasing by 5.0% (5.0% in Santa Clara and 5.1% in San Mateo) over the prior year. 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 $5.6 million.
- Purchased $25.1 million in land and associated structures funded through bonds, taxes and grants.
- The District recorded deferred outflows of resources of $4,726,768 and deferred inflows of resources of $6,712,410 as required by GASB 68 and GASB 75 for pension and other postemployment benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District's Section 115 irrevocable trust for pension liabilities held with the Public Agency Retirement Services (PARS) had a value of $6,920,266 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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of the 2022 fiscal year by $446.5 million. Of this total net position, $409.6 million, or 92%, was the District's net investment in capital assets (capital assets net of related debt).

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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**

| | 2022 | 2021 | Change | Percentage Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | $ 96,769,091 | $ 103,800,970 | $ (7,031,879) | -6.77% |
| Other Noncurrent Assets | 5,765,653 | 431,464 | 5,334,189 | 1236.30% |
| Capital Assets | 569,722,079 | 547,306,791 | 22,415,288 | 4.10% |
| Total Assets | $ 672,256,823 | $ 651,539,225 | $ 20,717,598 | 3.18% |
| | | | | |
| Total Deferred Outflows of Resources | $ 11,587,103 | $ 12,639,201 | $ (1,052,098) | -8.32% |
| | | | | |
| **Liabilities** | | | | |
| Current Liabilities | $ 19,578,674 | $ 18,126,035 | $ 1,452,639 | 8.01% |
| Noncurrent Liabilities | 206,843,174 | 228,565,745 | (21,722,571) | -9.50% |
| Total Liabilities | $ 226,421,848 | $ 246,691,780 | $ (20,269,932) | -8.22% |
| | | | | |
| Total Deferred Inflows of Resources | $ 10,906,896 | $ 2,042,143 | $ 8,864,753 | 434.09% |
| | | | | |
| **Net Position** | | | | |
| Net Investment in Capital Assets | $ 409,656,415 | $ 382,787,610 | $ 26,868,805 | 7.02% |
| Restricted | 6,192,426 | 5,730,667 | 461,759 | 8.06% |
| Unrestricted | 30,666,341 | 26,926,226 | 3,740,115 | 13.89% |
| Total Net Position | $ 446,515,182 | $ 415,444,503 | $ 31,070,679 | 7.48% |

Total net position increased by $31.1 million, as revenues exceeded expenses. Current assets decreased mainly due to the use of cash and investments to pay for capital outlay and retirement of long-term debt. Capital assets increased by $22.4 million mostly from the purchase of land and related infrastructure. Principal payments on outstanding bonds and promissory notes and better earnings than expected in pension plans during their measurement period were the main reasons for the $21.7 million decrease in noncurrent liabilities.

Table 2 shows the changes in net position for 2022 as compared to period 2021.

**Table 2 - Summary of Changes in Net Position**

| | 2022 | 2021 | Change | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program revenues | $ 5,374,343 | $ 5,178,497 | $ 195,846 | 3.78% |
| General revenues: | | | | |
| Property taxes | 64,409,628 | 62,476,170 | 1,933,458 | 3.09% |
| Investment earnings (losess) | (896,478) | 1,978,944 | (2,875,422) | -145.30% |
| Miscellaneous | 838,531 | 975,559 | (137,028) | -14.05% |
| **Total Revenues** | 69,726,024 | 70,609,170 | (883,146) | -1.25% |
| **Program Expenses** | | | | |
| Land preservation | 31,358,207 | 38,861,076 | (7,502,869) | -19.31% |
| Interest | 7,930,168 | 8,355,566 | (425,398) | -5.09% |
| **Total Expenses** | 39,288,375 | 47,216,642 | (7,928,267) | -16.79% |
| **Change in Net Position** | 30,437,649 | 23,392,528 | 7,045,121 | 30.12% |
| **Adjustments to Beginning Net Position** | 633,030 | (29,731) | 662,761 | 104.70% |
| **Beginning Net Position** | 415,444,503 | 392,081,706 | 23,362,797 | 5.96% |
| **Ending Net Position** | $ 446,515,182 | $ 415,444,503 | $ 31,070,679 | 7.48% |

There was a surplus change in net position of $31.1 million, as revenues exceeded expenses. Property taxes increased because property values in Santa Clara and San Mateo Counties increased during the assessment period by approximately 3%. Expenses increased mostly because of higher pension and OPEB expenses from valuation adjustments and benefits payments.

### 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)**

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Measure AA Capital Projects Fund | GF Capital Projects Fund | Debt Service Fund | Total | 2021 | Percentage Change |
| Nonspendable for prepaid expenditure | $ 257,186 | $ - | $ - | $ - | $ 257,186 | $ 291,297 | -12% |
| Nonspendable for loans receivable | 582,423 | - | - | - | 582,423 | - | 100% |
| Restricted for debt service | - | - | - | 4,148,795 | 4,148,795 | 4,229,931 | -2% |
| Restricted for Measure AA Projects | - | 19,530,564 | - | - | 19,530,564 | 22,134,964 | -12% |
| Restricted for Hawthorn maintenance | 1,428,333 | - | - | - | 1,428,333 | 1,500,736 | -5% |
| Restricted for capital projects | - | - | - | - | - | 482,524 | -100% |
| Restricted for pension | 6,920,266 | - | - | - | 6,920,266 | 6,374,997 | 9% |
| Committed for infrastructure | 8,135,087 | - | - | - | 8,135,087 | 17,187,084 | -53% |
| Committed for equipment replacement | 4,000,000 | - | - | - | 4,000,000 | 3,000,000 | 33% |
| Committed for capital maintenance | 8,250,000 | - | - | - | 8,250,000 | 7,250,000 | 14% |
| Committed for future acquisitions and capital projects | 15,100,000 | - | - | - | 15,100,000 | 11,950,000 | 26% |
| Committed for promissory note | 1,500,000 | - | - | - | 1,500,000 | 1,200,000 | 25% |
| Assigned for ongoing projects | 1,266,474 | - | - | - | 1,266,474 | 2,891,390 | -56% |
| Unassigned | 19,263,060 | - | - | - | 19,263,060 | 17,973,643 | 7% |
| Total Fund Balance | $ 66,702,829 | $ 19,530,564 | $ - | $ 4,148,795 | $ 90,382,188 | $ 96,466,566 | -6% |

In accordance with the District's thirty-year strategic plan, the Board of Directors committed an additional $11.5 million in 2022 for future acquisitions and capital projects. This was an increase to its existing 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.

The fund balances restricted for debt service in the Debt Service Fund, Measure AA Capital Projects, and Capital Projects decreased by 2%, 12%, and 100%, respectively due to debt service payments in the Debt Service Fund and on-going capital projects in the Measure AA fund and Capital Projects fund during the year ended June 30, 2022. The fund balance restricted for pensions in the General Fund increased by 6% as the District made additional contributions to the PARS section 115 trust for future pension payments.

## 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 2022, the District revised its General Fund budget, which resulted in a decrease in budgeted expenditures of $2.8 million from the original to final budget. The revenue was revised from $60.3 million to $61.1 million due to an increase in property taxes and grant revenues.

A summary of the original and final budget is presented below:

**Table 4 - Summary of Original to Final Budgets**

| | Original Budget | Final Budget | Change | Actuals | Final Budget vs. Actuals |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property taxes | $ 57,778,577 | $ 58,491,577 | $ 713,000 | $ 58,839,091 | $ 347,514 |
| Grant revenues | 314,000 | 414,000 | 100,000 | 314,083 | (99,917) |
| Property management | 1,633,655 | 1,633,655 | - | 1,490,268 | (143,387) |
| Investment earnings | 470,000 | 470,000 | - | (714,919) | (1,184,919) |
| Other revenues | 100,000 | 100,000 | - | 842,244 | 742,244 |
| **Total Revenues** | 60,296,232 | 61,109,232 | 813,000 | 60,770,767 | (338,465) |
| **Expenditures** | | | | | |
| Salaries and employee benefits | 28,496,804 | 27,941,175 | (555,629) | 25,565,718 | 2,375,457 |
| Services and supplies | 13,613,301 | 11,354,402 | (2,258,899) | 9,323,616 | 2,030,786 |
| Capital outlay | 47,300 | 21,250 | (26,050) | 14,250 | 7,000 |
| **Total Expenses** | 42,157,405 | 39,316,827 | (2,840,578) | 34,903,584 | 4,413,243 |
| **Excess of Revenues over Expenditures** | 18,138,827 | 21,792,405 | (2,027,578) | 25,867,183 | 4,074,778 |
| **Transfers in (out)** | (33,343,484) | (33,152,884) | 190,600 | (29,416,531) | 3,736,353 |
| **Net Change in Fund Balance** | $ (15,204,657) | $ (11,360,479) | $ (1,836,978) | $ (3,549,348) | $ 7,811,131 |

## CAPITAL ASSETS

Table 5 shows 2022 capital asset balances as compared to 2021.

**Table 5 - Summary of Capital Assets Net of Depreciation**

| | 2022 | 2021 | Change | Percentage Change |
|---|---|---|---|---|
| Land | $ 458,452,663 | $ 458,284,610 | $ 168,053 | 0.04% |
| Construction-in-Progress | 44,965,483 | 22,146,971 | 22,818,512 | 103.03% |
| Structure and Improvements | 20,875,315 | 21,913,178 | (1,037,863) | -4.74% |
| Infrastructure | 43,666,967 | 42,850,497 | 816,470 | 1.91% |
| Equipment | 1,196,771 | 973,781 | 222,990 | 22.90% |
| Vehicles | 564,880 | 1,137,754 | (572,874) | -50.35% |
| Total Capital Assets - Net | $ 569,722,079 | $ 547,306,791 | $ 22,415,288 | 4.10% |

Additional details 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 2022 to 2021.

**Table 6 - Summary of Long-term Liabilities**

| | 2022 | 2021 | Change | Percentage Change |
|---|---|---|---|---|
| Promissory Notes | $ 35,849,625 | $ 36,985,399 | $ (1,135,774) | -3.07% |
| Bonds | 174,623,807 | 182,409,892 | (7,786,085) | -4.27% |
| Net Pension Liability | 3,567,573 | 13,470,046 | (9,902,473) | -73.51% |
| Net OPEB Liability (Asset) | (615,298) | 1,379,753 | (1,995,051) | -144.59% |
| Compensated Absences | 3,296,796 | 2,905,282 | 391,514 | 13.48% |
| Total Long-term Liabilities | $ 216,722,503 | $ 237,150,372 | $ (20,427,869) | -8.61% |

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 2022-2023 on June 8, 2022. This budget assumes $74.5 million in revenues and a growth in general fund property tax income of 6% over the prior year's adopted budget. This budget funds $21.5 million of capital spending, of which $6.9. million is expected to qualify for reimbursement from Measure AA GO bond funds. General Fund operating expenditures are budgeted at $39.0. million, a 2.36% increase over the prior year's adopted budget. Debt service is budgeted at $23.9 million, with $5.3 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 $0.3 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, 5050 El Camino Real, Los Altos, California 94022.

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

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# Midpeninsula Regional Open Space District

Statement of Net Position

June 30, 2022

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and investments | $ | 96,071,885 |
| Accounts receivable: | | |
| Interest | | 4,448 |
| Other | | 60,151 |
| Taxes receivable | | 346,220 |
| Other current assets | | 286,387 |
| Total current assets | | 96,769,091 |
| Noncurrent assets: | | |
| Leases receivable | | 4,776,909 |
| Notes receivable | | 68,015 |
| Unamortized issuance costs | | 305,431 |
| Net OPEB asset | | 615,298 |
| Non-depreciable capital assets | | 503,418,146 |
| Capital assets, net of depreciation | | 66,303,933 |
| Total noncurrent assets | | 575,487,732 |
| Total Assets | $ | 672,256,823 |
| **Deferred Outflows of Resources** | | |
| OPEB adjustments | $ | 832,763 |
| Pension adjustments | | 3,894,005 |
| Deferred loss on early retirement of long-term debt | | 6,860,335 |
| Total Deferred Outflows of Resources | $ | 11,587,103 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | $ | 6,100,357 |
| Deposits payable | | 99,843 |
| Payroll and other liabilities | | 769,126 |
| Accrued interest | | 2,114,721 |
| Current portion of long-term liabilities | | 10,494,627 |
| Total current liabilities | | 19,578,674 |
| Noncurrent liabilities: | | |
| Long-term liabilities - net of current portion | | 206,843,174 |
| Total Liabilities | $ | 226,421,848 |
| **Deferred Inflows of Resources** | | |
| Leases receivable deferrals | $ | 4,194,486 |
| OPEB adjustments | | 1,580,183 |
| Pension adjustments | | 5,132,227 |
| Total Deferred Inflows of Resources | $ | 10,906,896 |
| **Net Position** | | |
| Net investment in capital assets | $ | 409,656,415 |
| Restricted for: | | |
| Debt service | | 4,148,795 |
| Hawthorne maintenance | | 1,428,333 |
| Total restricted | | 6,192,426 |
| Unrestricted | | 30,666,341 |
| Total Net Position | $ | 446,515,182 |

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, 2022

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services | Capital Grants and Contributions | |
| Governmental activities: | | | | |
| Land preservation | $ 31,358,207 | $ 1,490,268 | $ 3,884,075 | $ (25,983,864) |
| Interest and fiscal charges | 7,930,168 | - | - | (7,930,168) |
| Total governmental activities | $ 39,288,375 | $ 1,490,268 | $ 3,884,075 | (33,914,032) |
| | | | | |
| General revenues and special item: | | | | |
| Property taxes | | | | 64,409,628 |
| Investment earnings (losses) | | | | (896,478) |
| Other revenues | | | | 838,531 |
| Total general revenues and special item | | | | 64,351,681 |
| | | | | |
| Change in net position | | | | 30,437,649 |
| | | | | |
| Net position beginning | | | | 415,444,503 |
| Prior period adjustments | | | | 633,030 |
| Net position beginning as adjusted | | | | 416,077,533 |
| | | | | |
| Net position ending | | | | $ 446,515,182 |

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

# FUND FINANCIAL STATEMENTS

## MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the District.

| 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. |

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# Midpeninsula Regional Open Space District

Balance Sheet
Governmental Funds
June 30, 2022

| | General Fund | Measure AA Capital Projects Fund | GF Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and investments | $ 69,588,900 | $ 21,900,363 | $ 4 | $ 4,582,618 | $ 96,071,885 |
| Receivables: | | | | | |
| Interest | 4,448 | - | - | - | 4,448 |
| Other | 60,151 | - | - | - | 60,151 |
| Taxes receivable | 320,221 | - | - | 25,999 | 346,220 |
| Other current assets | 286,387 | - | - | - | 286,387 |
| Due from other funds | 4,980,701 | 3,856,999 | 1,630,756 | - | 10,468,456 |
| Leases receivable | 4,776,909 | - | - | - | 4,776,909 |
| Notes receivable | 68,015 | - | - | - | 68,015 |
| Total Assets | $ 80,085,732 | $ 25,757,362 | $ 1,630,760 | $ 4,608,617 | $ 112,082,471 |
| **Liabilities** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 2,796,562 | $ 1,673,035 | $ 1,630,760 | $ - | $ 6,100,357 |
| Deposits payable | 99,843 | - | - | - | 99,843 |
| Due to other funds | 5,487,753 | 4,520,881 | - | 459,822 | 10,468,456 |
| Payroll and other liabilities | 736,244 | 32,882 | - | - | 769,126 |
| Total Liabilities | 9,120,402 | 6,226,798 | 1,630,760 | 459,822 | 17,437,782 |
| **Deferred Inflows of Resources** | | | | | |
| Leases receivable | 4,194,486 | - | - | - | 4,194,486 |
| Unavailable revenues | 68,015 | - | - | - | 68,015 |
| | 4,262,501 | - | - | - | 4,262,501 |
| **Fund Balance** | | | | | |
| Nonspendable: | | | | | |
| Leases receivable | 582,423 | - | - | - | 582,423 |
| Prepaid expenditures | 257,186 | - | - | - | 257,186 |
| Restricted for: | | | | | |
| Debt service | - | - | - | 4,148,795 | 4,148,795 |
| Measure AA capital projects | - | 19,530,564 | - | - | 19,530,564 |
| Hawthorn maintenance | 1,428,333 | - | - | - | 1,428,333 |
| Capital projects | - | - | - | - | - |
| Pension | 6,920,266 | - | - | - | 6,920,266 |
| Committed for: | | | | | |
| Infrastructure | 8,135,087 | - | - | - | 8,135,087 |
| Equipment replacement | 4,000,000 | - | - | - | 4,000,000 |
| Capital maintenance | 8,250,000 | - | - | - | 8,250,000 |
| Future acquisitions and capital projects | 15,100,000 | - | - | - | 15,100,000 |
| Promissory note | 1,500,000 | - | - | - | 1,500,000 |
| Assigned for: | | | | | |
| Ongoing Projects | 1,266,474 | - | - | - | 1,266,474 |
| Unassigned | 19,263,060 | - | - | - | 19,263,060 |
| Total Fund Balance | 66,702,829 | 19,530,564 | - | 4,148,795 | 90,382,188 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | $ 80,085,732 | $ 25,757,362 | $ 1,630,760 | $ 4,608,617 | $ 112,082,471 |

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, 2022

| | | |
|---|---|---|
| Total fund balance - governmental funds | | $ 90,382,188 |
| 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 | $ 599,931,064 | |
| Accumulated depreciation | (30,208,985) | 569,722,079 |
| 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. | | 68,015 |
| 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. | | (747,420) |
| 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. | | (1,238,222) |
| Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. | | (2,114,721) |
| 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 | $ 21,660,707 | |
| Issuance cost | (305,431) | (21,355,276) |
| Deferred loss on early retirement of long-term debt is recorded in the Statement of Net Position as a deferred outflow of resources and amortized on a straight line basis over the original life of the defeased bond. | | 6,860,335 |
| 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 | 157,560,000 | |
| Net pension liability | 3,567,573 | |
| Promissory notes | 31,252,725 | |
| Compensated absences | 3,296,796 | |
| Net OPEB liability (asset) | (615,298) | (195,061,796) |
| Total net position - governmental activities | | $ 446,515,182 |

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, 2022

| | General Fund | Measure AA Capital Projects Fund | GF Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Property taxes | $ 58,839,091 | $ - | $ - | $ 5,570,537 | $ 64,409,628 |
| Grant income | 314,083 | 3,563,999 | - | 5,993 | 3,884,075 |
| Property management | 1,490,268 | - | - | - | 1,490,268 |
| Investment earnings (losses) | (714,919) | (199,251) | (12) | 17,704 | (896,478) |
| Other revenues | 842,244 | - | - | - | 842,244 |
| Total revenues | 60,770,767 | 3,364,748 | (12) | 5,594,234 | 69,729,737 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Land preservation: | | | | | |
| Salaries and employee benefits | 25,565,718 | 397,294 | - | - | 25,963,012 |
| Services and supplies | 9,323,616 | - | - | - | 9,323,616 |
| Capital outlay | 14,250 | 5,571,854 | 19,529,525 | - | 25,115,629 |
| Debt service: | | | | | |
| Principal | - | - | - | 8,120,000 | 8,120,000 |
| Interest | - | - | - | 7,924,888 | 7,924,888 |
| Total expenditures | 34,903,584 | 5,969,148 | 19,529,525 | 16,044,888 | 76,447,145 |
| Excess (deficiency) of revenues over (under) expenditures | 25,867,183 | (2,604,400) | (19,529,537) | (10,450,654) | (6,717,408) |
| Other financing sources (uses): | | | | | |
| Transfers in | 4,755,236 | - | 23,802,249 | 10,369,518 | 38,927,003 |
| Transfers out | (34,171,767) | - | (4,755,236) | - | (38,927,003) |
| Total other financing sources (uses) | (29,416,531) | - | 19,047,013 | 10,369,518 | - |
| Net changes in fund balance | (3,549,348) | (2,604,400) | (482,524) | (81,136) | (6,717,408) |
| Fund balance beginning | 69,619,147 | 22,134,964 | 482,524 | 4,229,931 | 96,466,566 |
| Prior period adjustments | 633,030 | - | - | - | 633,030 |
| Fund balance beginning - as adjusted | 70,252,177 | 22,134,964 | 482,524 | 4,229,931 | 97,099,596 |
| Fund balance ending | $ 66,702,829 | $ 19,530,564 | $ - | $ 4,148,795 | $ 90,382,188 |

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, 2022

| | | |
|---|---|---|
| Total net change in fund balance - governmental funds | | $ (6,717,408) |
| 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. | | |
| Capital asset additions | $ 25,964,368 | |
| Depreciation expense | (3,549,080) | 22,415,288 |
| 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. | | (3,713) |
| 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. | | (562,949) |
| 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: | | |
| Debt service principal payments | | 8,120,000 |
| 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. | | (845,117) |
| 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 | | 1,310,503 |
| 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. | | (391,514) |
| 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. | | 7,020,276 |
| 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. | | 92,283 |
| Change in net position of governmental activities | | $ 30,437,649 |

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

# *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 tax revenue, 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. Leases Receivable

The District's leases receivable are measured at the present value of lease payments expected to be received during the lease terms. The present value, net of accumulated amortization, is reported as deferred inflows of resources. Deferred inflows of resources are recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable, plus incentive payments received. Amounts recorded as deferred inflows of resources from the leases are amortized on a straight-line basis over the term of the lease.

5. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. 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 |

6. Compensated Absences

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

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

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

An employee hired before June 30, 2006, who retires from the District shall receive a cash payment of the percentage of equivalent cash value 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.

7. Long-Term/Noncurrent Obligations

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

8. Debt Discount and Issuance Costs

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

9. Fund Balance Classifications

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

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

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

- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at period-end. Committed fund balances were imposed by the District's Board of Directors 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: $25,187,084; projected minimum requirement for expansion of field and office facilities over the next five years.

  - Equipment Replacement: $4,000,000; projected requirement for equipment and vehicle replacement based on the amount of accumulated depreciation recorded on capital assets in service.

  - Capital maintenance: $9,800,000; amounts com44mitted to reserve for future capital repairs and maintenance.

  - Future acquisitions and capital projects: $13,450,000; amounts committed to reserve for future capital acquisitions.

  - Promissory Note: $1,200,000; 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. At June 30, 2022, the District had assigned $2,891,390 in fund balance for ongoing projects.

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

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

District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

10. Net Position

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

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

11. 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, 2020
Measurement Date (MD) ................................ June 30, 2021
Measurement Period (MP) ............................. July 1, 2020 to June 30, 2021

12. 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, 2021 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

13. 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.

14. 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. Implementation of New Accounting Pronouncements

**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. As of June 30, 2022, the District recognized nine contracts as a lessor and implemented the applicable accounting and reporting requirements under GASB 87. As a result, the District increased beginning net position by $634,234, which was the net of $5,346,462 in leases receivable and $4,712,228 in related deferred inflows of resources. See note 4 for additional information.

J. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB 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 were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

**GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements***
The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***
GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases.* GASB 96 is effective for fiscal years beginning after June 15, 2022.

**GASB Statement No. 99, *Omnibus 2022***
Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

**GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62***
This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**GASB Statement No. 101, *Compensated Absences***
This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical

information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

## NOTE 2 - CASH AND INVESTMENTS

### Summary of Cash and Investments

The following summarizes deposits as of June 30, 2022:

| Cash and Investments | Cash and Cash Equivalents Available for Operations | Restricted | Total |
|---|---|---|---|
| Cash Deposits: | | | |
| Cash in Banks | $ 2,581,585 | $ 72,738 | $ 2,654,323 |
| Cash with Fiscal Agent PARS | - | 6,920,266 | 6,920,266 |
| Petty Cash | 1,118 | - | 1,118 |
| Total Cash Deposits | 2,582,703 | 6,993,004 | 9,575,707 |
| Investments: | | | |
| California Local Agency Investment Fund | 1,748,300 | - | 1,748,300 |
| CalTRUST | - | 1,618,988 | 1,618,988 |
| Brokerage Accounts/Cash with Fiscal Agents | 8,390,987 | 21,907,425 | 30,298,412 |
| Santa Clara County Pool | 48,254,918 | 4,575,560 | 52,830,478 |
| Total Investments | 58,394,205 | 28,101,973 | 86,496,178 |
| Total Cash and Investments | $ 60,976,908 | $ 35,094,977 | $ 96,071,885 |

### 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, 2022, the District’s bank balances exceeded FDIC coverage by $2,472,468.

### Fair Value Measurements

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

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

The District has the following investments with recurring fair value measurements as of June 30, 2022:

| | | | | Maturities | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Rating | Fair Value | Input Level | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | Concen-trations |
| Money Market Accounts | n/a | $ 276,572 | n/a | $ 276,572 | $ - | $ - | 0.33% |
| Municipal Bonds | AAA/A- | 12,914,835 | Level 2 | 5,388,921 | 4,418,570 | 3,107,344 | 15.19% |
| Corp/Gov Bonds | AAA/A- | 16,987,561 | Level 1 | 15,270,575 | 1,478,526 | 238,460 | 19.97% |
| LAIF | n/a | 1,725,791 | Level 2 | 1,725,791 | - | - | 2.03% |
| CalTrust | A+f | 1,618,988 | Level 2 | - | - | 1,618,988 | 1.90% |
| Santa Clara County Pool | n/a | 51,520,220 | Level 2 | 19,117,789 | 7,896,258 | 24,506,173 | 60.58% |
| U.S. Obligations | AA+/A- | 356 | Level 1 | 356 | - | - | 0.00% |
| Total Investments | | $ 85,044,323 | | $ 41,780,004 | $ 13,793,354 | $ 29,470,965 | 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, 2022, 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, 2022, 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, 2022, the District had $4,575,560 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, 2022 was $1,618,988.

**Restricted for Measure AA Bond Projects**

As of June 30, 2022, the District had $21,886,722 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, 2022, the District had $4 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, 2022, the District had $72,738 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, 2022, the District had a balance of $6,920,266 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 $10.9 billion and $230 billion, respectively as of June 30, 2022, 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 2022 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, 2022:

| Fund | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General Fund | $ 4,980,701 | $ 5,487,753 |
| Measure AA Capital Projects Fund | 3,856,999 | 4,520,881 |
| GF Capital Projects Fund | 1,630,756 | - |
| Debt Service Fund | - | 459,822 |
| Total | $ 10,468,456 | $ 10,468,456 |

At June 30, 2022, interfund transfers consisted of the following:

| Fund | Transfer In | Transfer Out |
|---|---|---|
| General Fund | $ 4,755,236 | $ 34,171,767 |
| GF Capital Projects Fund | 23,802,249 | 4,755,236 |
| Debt Service Fund | 10,369,518 | - |
| Total | $ 38,927,003 | $ 38,927,003 |

# Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2022

## NOTE 4 - LEASES RECEIVABLE

The following summarizes the District's leases receivable and related deferred inflows of resources as of June 30, 2022:

| Description | FAA Tower | Crown Castle Tower | C&C Tower | Communication and Control Tower | Verizon Tower |
|---|---|---|---|---|---|
| Lease inception | 10/1/2008 | 10/1/2000 | 9/1/2009 | 7/1/2021 | 7/1/2018 |
| Lease end | 9/30/2033 | 9/30/2025 | 8/31/2029 | 6/30/2046 | 6/30/2043 |
| Min Annual Payment | $ 31,000 | $ 331,000 | $ 42,000 | $ 65,000 | $ 61,400 |
| Rate | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| **Leases Receivable** | | | | | |
| Beg. Balance | $ - | $ - | $ - | $ - | $ - |
| Additions/Adjustments | 303,402 | 1,233,822 | 292,690 | 1,081,984 | 941,118 |
| Deletions | - | - | - | - | - |
| Principal Payments | (20,711) | (292,478) | (32,270) | (27,570) | (28,922) |
| Ending Balance | $ 282,691 | $ 941,343 | $ 260,419 | $ 1,054,414 | $ 912,196 |
| **Deferred Inflows of Resources** | | | | | |
| Beg. Balance | $ - | $ - | $ - | $ - | $ - |
| Additions/Adjustments | 247,691 | 881,567 | 241,396 | 1,081,984 | 899,412 |
| Deletions | - | - | - | - | - |
| Amortization | (20,641) | (220,392) | (30,175) | (43,279) | (40,882) |
| Ending Balance | $ 227,050 | $ 661,175 | $ 211,222 | $ 1,038,705 | $ 858,530 |
| Beg. Balance Adjustments | $ 55,711 | $ 352,255 | $ 51,294 | $ - | $ 41,706 |
| Ending NBV | $ 55,641 | $ 280,168 | $ 49,198 | $ 15,709 | $ 53,667 |

**Continued**

| Description | AT&T Tower | Picchetti Winery | Skyline Christmas Tree | Driscoll Grazing | Total |
|---|---|---|---|---|---|
| Lease inception | 2/10/2005 | 11/1/2007 | 7/1/2021 | 7/1/2021 | |
| Lease end | 2/10/2026 | 10/31/2027 | 6/30/2041 | 6/30/2026 | |
| Min Annual Payment | $ 61,000 | $ 74,200 | $ 50,000 | $ 32,000 | |
| Rate | 3.5% | 3.5% | 3.5% | 3.5% | |
| **Leases Receivable** | | | | | |
| Beg. Balance | $ - | $ - | $ - | $ - | $ - |
| Additions/Adjustments | 227,382 | 401,036 | 718,441 | 146,587 | 5,346,462 |
| Deletions | - | - | - | - | - |
| Principal Payments | (53,901) | (61,138) | (25,257) | (27,305) | (569,553) |
| Ending Balance | $ 173,481 | $ 339,898 | $ 693,184 | $ 119,282 | $ 4,776,909 |
| **Deferred Inflows of Resources** | | | | | |
| Beg. Balance | $ - | $ - | $ - | $ - | $ - |
| Additions/Adjustments | 175,300 | 319,850 | 718,441 | 146,587 | 4,712,228 |
| Deletions | - | - | - | - | - |
| Amortization | (43,825) | (53,308) | (35,922) | (29,317) | (517,742) |
| Ending Balance | $ 131,475 | $ 266,542 | $ 682,519 | $ 117,270 | $ 4,194,486 |
| Beg. Balance Adjustments | $ 52,082 | $ 81,186 | $ - | $ - | $ 634,234 |
| Ending NBV | $ 42,006 | $ 73,356 | $ 10,665 | $ 2,013 | $ 582,423 |

**Concluded**

## NOTE 5 - 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, 2022 was $68,015.

## NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the period ended June 30, 2022 is shown below:

| Capital Assets | Balance June 30, 2021 | Additions | Deletions/ Adjustments | Balance June 30, 2022 |
|---|---|---|---|---|
| **Non-depreciable:** | | | | |
| Land | $ 458,284,610 | $ 168,053 | $ - | $ 458,452,663 |
| Construction in Progress | 22,146,971 | 25,294,633 | (2,476,121) | 44,965,483 |
| Total Non-Depreciable | 480,431,581 | 25,462,686 | (2,476,121) | 503,418,146 |
| **Depreciable:** | | | | |
| Structure and Improvements | 34,084,065 | - | - | 34,084,065 |
| Infrastructure | 50,955,008 | 2,476,164 | - | 53,431,172 |
| Equipment | 2,849,311 | 460,373 | - | 3,309,684 |
| Vehicles | 5,646,731 | 41,266 | - | 5,687,997 |
| Total Depreciable | 93,535,115 | 2,977,803 | - | 96,512,918 |
| **Less Accumulated Depreciation for:** | | | | |
| Structure and Improvements | (12,170,887) | (1,037,863) | - | (13,208,750) |
| Infrastructure | (8,104,511) | (1,659,694) | - | (9,764,205) |
| Equipment | (1,875,530) | (237,383) | - | (2,112,913) |
| Vehicles | (4,508,977) | (614,140) | - | (5,123,117) |
| Total Accumulated Depreciation | (26,659,905) | (3,549,080) | - | (30,208,985) |
| Total Depreciable Capital Assets - Net | 66,875,210 | (571,277) | - | 66,303,933 |
| Total Capital Assets - Net | $ 547,306,791 | $ 24,891,409 | $ (2,476,121) | $ 569,722,079 |

**Midpeninsula Regional Open Space District**
Notes to the Basic Financial Statements
June 30, 2022

## NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the period ended June 30, 2022:

| Long-term Liabilities | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Promissory Notes (Direct Borrowings): | | | | | |
| Current Interest | $ 21,584,999 | $ - | $ 1,445,000 | $ 20,139,999 | $ 3,040,000 |
| Capital Appreciation | 6,580,602 | - | - | 6,580,602 | - |
| Accreted interest | 3,969,175 | 562,949 | - | 4,532,124 | - |
| Unamortized Premium | 4,850,623 | - | 253,723 | 4,596,900 | - |
| Subtotal Promissory Notes | 36,985,399 | 562,949 | 1,698,723 | 35,849,625 | 3,040,000 |
| Bonds: | | | | | |
| Current Interest | 164,235,000 | - | 6,675,000 | 157,560,000 | 6,990,000 |
| Unamortized Bond Premium | 18,174,892 | - | 1,111,085 | 17,063,807 | - |
| Subtotal Bonds | 182,409,892 | - | 7,786,085 | 174,623,807 | 6,990,000 |
| Net Pension Liability | 13,470,046 | 9,852,394 | 19,754,867 | 3,567,573 | - |
| Net OPEB Liability (Asset) | 1,379,753 | 1,265,290 | 3,260,341 | (615,298) | - |
| Compensated Absences | 2,905,282 | 856,141 | 464,627 | 3,296,796 | 464,627 |
| Total | 237,150,372 | 12,536,774 | 32,964,643 | 216,722,503 | 10,494,627 |
| Reclassification Net OPEB Asset | - | - | - | 615,298 | - |
| Total Long-term Liabilities | $ 237,150,372 | $ 12,536,774 | $ 32,964,643 | $ 217,337,801 | $ 10,494,627 |

Compensated absences, other postemployment benefits and pension liabilities are paid by the fund for which the employee worked, which included General Fund and MAA Capital Projects Funds.

### 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 began 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. The following schedule summarizes the District's outstanding promissory notes and bonds as of June 30, 2022:

| 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 | 894,999 | - | 440,000 | 454,999 |
| 2012 Refunding Note Cap Apprec. | 15,474,708 | 6,580,602 | - | - | 6,580,602 |
| 2015 Refunding Note | 23,630,000 | 19,190,000 | - | 1,005,000 | 18,185,000 |
| **Subtotal Promissory Notes** | 56,394,708 | 28,165,601 | - | 1,445,000 | 26,720,601 |
| **Bonds:** | | | | | |
| 2011 Lease Revenue | 20,500,000 | 285,000 | - | 285,000 | - |
| 2015A General Obligation Bonds | 40,000,000 | 40,000,000 | - | 315,000 | 39,685,000 |
| 2015B General Obligation Bonds | 5,000,000 | 630,000 | - | 630,000 | - |
| 2016 Refunding Bonds | 57,410,000 | 44,035,000 | - | 3,525,000 | 40,510,000 |
| 2017 Refunding Bonds | 25,025,000 | 25,025,000 | - | - | 25,025,000 |
| 2017 Parity Bonds | 11,220,000 | 8,490,000 | - | 1,040,000 | 7,450,000 |
| 2018 General Obligation Bonds | 50,000,000 | 45,770,000 | - | 880,000 | 44,890,000 |
| **Subtotal Bonds** | 209,155,000 | 164,235,000 | - | 6,675,000 | 157,560,000 |
| **Accreted Interest:** | | | | | |
| 2012 Refunding Note | | 3,969,175 | 562,949 | - | 4,532,124 |
| **Subtotal Accreted Interest** | | 3,969,175 | 562,949 | - | 4,532,124 |
| **Unamortized Bond Premium** | | 23,025,515 | - | 1,364,808 | 21,660,707 |
| Total Long Term Debt | $ 265,549,708 | $ 219,395,291 | $ 562,949 | $ 9,484,808 | $ 210,473,432 |

The promissory notes future debt service requirements as of June 30, 2022 were as follows:

| Year Ending June 30, | Principal | Remaining Accretion | Interest | Total |
|---|---|---|---|---|
| 2023 | $ 3,040,000 | $ - | $ 963,950 | $ 4,003,950 |
| 2024 | 1,170,000 | - | 825,750 | 1,995,750 |
| 2025 | 1,225,000 | - | 765,875 | 1,990,875 |
| 2026 | 1,300,000 | - | 702,750 | 2,002,750 |
| 2027 | 1,360,000 | - | 636,250 | 1,996,250 |
| 2028-2032 | 9,752,250 | 309,249 | 2,076,750 | 12,138,249 |
| 2033-2037 | 8,873,351 | 7,675,976 | 326,375 | 16,875,702 |
| Total Debt Service | $ 26,720,601 | $ 7,985,225 | $ 6,297,700 | $ 41,003,526 |

The bonds future debt service requirements as of June 30, 2022 were as follows:

| Year Ending June 30, | Principal | Remaining Accretion | Interest | Total |
|---|---|---|---|---|
| 2023 | $ 6,990,000 | $ - | $ 6,589,537 | $ 13,579,537 |
| 2024 | 7,375,000 | - | 6,239,763 | 13,614,763 |
| 2025 | 7,780,000 | - | 5,865,663 | 13,645,663 |
| 2026 | 8,285,000 | - | 5,464,038 | 13,749,038 |
| 2027 | 8,480,000 | - | 5,044,913 | 13,524,913 |
| 2028-2032 | 30,380,000 | - | 19,879,652 | 50,259,652 |
| 2033-2037 | 37,615,000 | - | 14,285,295 | 51,900,295 |
| 2038-2042 | 24,730,000 | - | 7,302,150 | 32,032,150 |
| 2043-2047 | 20,745,000 | - | 2,975,700 | 23,720,700 |
| 2048-2052 | 5,180,000 | - | 209,200 | 5,389,200 |
| Total Debt Service | $ 157,560,000 | $ - | $ 73,855,911 | $ 231,415,911 |

Amortization of the deferred loss on early retirement of long-term debt for the fiscal period ended June 30, 2022 was as follows:

| | |
|---|---|
| Beginning Balance | $ 7,705,456 |
| Amortization | (845,121) |
| Ending Balance | $ 6,860,335 |

## NOTE 8 - 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 $1,325,571 was received during the period ended June 30, 2022. See note 4 for additional information related to leases, leases receivable and rental income.

## NOTE 9 - 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, 2022, 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 ben. as a % of eligible comp. | 2% to 2.5% | 2.00% |
| Required employee contribution rates | 8.0% | 6.75% |
| Required employer contribution rates | 12.2% | 7.59% |

**Employees Covered** – At June 30, 2022, the following employees were covered by the benefit terms for the Plan:

| | Misc. |
|---|---|
| Active | 164 |
| Transferred | 62 |
| Separated | 81 |
| Retired | 91 |
| Total | 398 |

**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. Contributions to the plan for the year totaled $1,894,807.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

| | Proportionate Share of Net Pension Liability/(Asset) |
|---|---|
| Miscellaneous | $ 3,567,574 |

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, 2021, 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, 2020 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 into 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, 2021 and 2022 was as follows:

| | **Miscellaneous** |
|---|---|
| Proportion - June 30, 2021 | 0.31934% |
| Proportion - June 30, 2022 | 0.18789% |
| Change - Increase/(Decrease) | -0.13146% |

For the fiscal year ended June 30, 2022, the District recognized pension credit of $3,427,429.

At fiscal year June 30, 2022, 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 | $ - | $ - |
| Differences between Expected and Actual Experience | 400,065 | - |
| Differences between Projected and Actual Investment Earnings | - | 3,114,303 |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | 2,017,924 |
| Change in Employer's Proportion | 1,599,132 | - |
| Pension Contributions Made Subsequent to Measurement Date | 1,894,807 | - |
| **Total** | $ 3,894,004 | $ 5,132,227 |

The District reported $1,894,807 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, 2023. 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 |
|---|---|
| 2023 | $ (839,125) |
| 2024 | (738,303) |
| 2025 | (694,969) |
| 2026 | (860,633) |
| **Total** | $ (3,133,030) |

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.00% |
| Inflation | 2.50% |
| Payroll Growth | 2.75% |
| Projected Salary Increase | (1) |
| Investment Rate of Return | 7% (2) |
| Mortality | (3) |

(1) Varies by entry 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 ACFR, 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 | $ 14,998,078 |
| | |
| Current | 7.15% |
| Net Pension Liability | $ 3,567,574 |
| | |
| 1% Increase | 8.15% |
| Net Pension Liability | $ (5,881,861) |

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

**PARS Section 115 Trust** - During fiscal year 2017-18, the District established a Section 115 Trust Fund for Pension Costs with Public Agency Retirement Services (PARS). The amount in this trust is not included as part of the District's net pension liability calculation.

## NOTE 10 - 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)<br>Continue participation in PEMHCA |
| **Retiree Medical Benefit:** | District pays retiree medical premiums up to:<br>- $300/month effective 1/1/07<br>- $350/month effective 1/1/09<br>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, 2021, the benefit terms covered the following employees:

| | |
|---|---|
| Active employees | 166 |
| Inactive employees | 47 |
| **Total employees** | 213 |

**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 $832,763. Total contributions included in the measurement period were $789,326. The actuarially determined contribution for the measurement period was $607,000. The District's contributions were 4.27% of covered payroll during the measurement period June 30, 2021 (reporting period June 30, 2022). 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, 2021 |
| Measurement Date: | June 30, 2021 |
| Actuarial Cost Method: | Entry age normal, level precentage of payroll |
| Amortization Period: | 4.8-year average remaining period |
| Asset Valuation Method: | Investment gains and loses spread over 5-year rolling period |
| Actuarial Assumptions: | |
| Discount Rate | 6.25% |
| General Inflation | 2.50% |
| Salary Increases | 2.75% |
| Medical Trend | Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076.<br><br>Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076.<br><br>Medicare (Kaiser) - 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076. |
| PEMHCA Minimum Increases | 4.00% |
| Mortality, Retirement, Disability, Termination | CalPERS 2000-2019 experience study |
| Mortality Improvement | Mortality projected fully generational with Scale MP-2021 |
| Notes: | Discount rate decreased from 6.75%<br>General inflation decreased from 2.75%<br>Salary increases decreased from 3% |

**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.

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 | 59% | 4.56% |
| Fixed Income | 25% | 0.78% |
| TIPS | 5% | -0.08% |
| Commodities | 3% | 1.22% |
| REITs | 8% | 4.06% |
| **Total** | 100% | |

**Net OPEB Liability -** The District's net OPEB liability was measured as of June 30, 2021 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2022 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2022:

| Fiscal Year Ended June 30, 2022 | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
|---|---|---|---|
| **Balance at June 30,2021** | $ 6,562,273 | $ 5,182,521 | $ 1,379,752 |
| Service cost | 396,887 | - | 396,887 |
| Interest in Total OPEB Liability | 461,666 | - | 461,666 |
| Employer contributions | - | 789,326 | (789,326) |
| Balance of diff between actual and exp experience | (260,022) | - | (260,022) |
| Balance of changes in assumptions | (374,135) | - | (374,135) |
| Actual investment income | - | 1,432,096 | (1,432,096) |
| Administrative expenses | - | (1,975) | 1,975 |
| Benefit payments | (239,326) | (239,326) | - |
| **Net changes** | (14,930) | 1,980,121 | (1,995,051) |
| **Balance at June 30, 2022** | $ 6,547,343 | $ 7,162,642 | $ (615,299) |

| | |
|---|---|
| Covered Employee Payroll | $ 19,523,601 |
| Total OPEB Liability as a % of Covered Employee Payroll | 33.54% |
| Plan Fid. Net Position as a % of Total OPEB Liability | 109.40% |
| Service Cost as a % of Covered Employee Payroll | 2.03% |
| Net OPEB Liability as a % of Covered Employee Payroll | -3.15% |

**Deferred Inflows and Outflows of Resources -** At June 30, 2022the 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 | $ - | $ 346,578 |
| Difference between actual and expected earnings | - | 801,749 |
| Change in assumptions | - | 431,856 |
| OPEB contribution subsequent to measurement date | 832,763 | - |
| **Totals** | $ 832,763 | $ 1,580,183 |

Of the total amount reported as deferred outflows of resources related to OPEB, $832,763 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, 2023. 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, | |
|---|---|
| 2023 | $ (285,757) |
| 2024 | (278,080) |
| 2025 | (282,441) |
| 2026 | (302,678) |
| 2027 | (86,802) |
| Thereafter | (344,425) |
| **Total** | $ (1,580,183) |

**OPEB Expense -** The following summarizes the OPEB expense by source during the year ended June 30, 2022:

| | |
|---|---|
| Service cost | $ 396,887 |
| Interest in TOL | 461,666 |
| Expected investment income | (352,723) |
| Difference between actual and expected experience | (39,807) |
| Difference between actual and expected earnings | (219,556) |
| Change in assumptions | (46,994) |
| Administrative expenses | 1,975 |
| **OPEB Expense** | **$ 201,448** |

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

| | |
|---|---|
| Net OPEB liability ending | $ (615,299) |
| Net OPEB liability begining | (1,379,752) |
| Change in net OPEB liability | (1,995,051) |
| Changes in deferred outflows | 14,632 |
| Changes in deferred inflows | 1,349,104 |
| Employer contributions and implict subsidy | 832,763 |
| **OPEB Expense** | **$ 201,448** |

**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 )** | **6.25%** | **(1% Increase )** |
| Net OPEB Liability (Asset) | $ 288,735 | $ (615,299) | $ (1,360,923) |

**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 )** | **4.00%** | **(1% Increase )** |
| Net OPEB Liability (Asset) | $ (866,011) | $ (615,299) | $ (320,095) |

## NOTE 11 - 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 2020 through July 1, 2023.

*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 12 - 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, 2022.

Commitments

As of June 30, 2022, the District had remaining commitments of $13,375,837 towards construction and other contracts from original contract balances of $43,943,260. These commitments are not liabilities of the District's until services or goods have been rendered/received. The expected date of completion is between June 2022 and December 2099.

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# *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, 2022

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | | | | Final Budget |
| | | | Actual | Positive - |
| | Original | Final | (GAAP Basis) | (Negative) |
| Revenues: | | | | |
| Property taxes | $ 57,778,577 | $ 58,491,577 | $ 58,839,091 | $ 347,514 |
| Grant income | 314,000 | 414,000 | 314,083 | (99,917) |
| Property management | 1,633,655 | 1,633,655 | 1,490,268 | (143,387) |
| Investment earnings | 470,000 | 470,000 | (714,919) | (1,184,919) |
| Other revenues | 100,000 | 100,000 | 842,244 | 742,244 |
| Total revenues | 60,296,232 | 61,109,232 | 60,770,767 | (338,465) |
| Expenditures: | | | | |
| Current | | | | |
| Salaries and employee benefits | 28,496,804 | 27,941,175 | 25,565,718 | 2,375,457 |
| Services and supplies | 13,613,301 | 11,354,402 | 9,323,616 | 2,030,786 |
| Capital outlay | 47,300 | 21,250 | 14,250 | 7,000 |
| Total expenditures | 42,157,405 | 39,316,827 | 34,903,584 | 4,413,243 |
| Excess (deficiency) of revenues over (under) expenditures | 18,138,827 | 21,792,405 | 25,867,183 | 4,074,778 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 4,755,236 | 4,755,236 |
| Transfers out | (33,343,484) | (33,152,884) | (34,171,767) | (1,018,883) |
| Total other financing sources (uses) | (33,343,484) | (33,152,884) | (29,416,531) | 3,736,353 |
| Net change in fund balance | (15,204,657) | (11,360,479) | (3,549,348) | 7,811,131 |
| Fund balance beginning | 69,619,147 | 69,619,147 | 69,619,147 | - |
| Prior period adjustments | - | - | 633,030 | 633,030 |
| Fund balance beginning - as adjusted | 69,619,147 | 69,619,147 | 70,252,177 | 633,030 |
| Fund balance ending | $ 54,414,490 | $ 58,258,668 | $ 66,702,829 | $ 8,444,161 |

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.

# Midpeninsula Regional Open Space District

Schedule of Pension Plan Contributions
June 30, 2022

**Miscellaneous Plan**

| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | $ 1,461,069 | $ 1,358,520 | $ 1,514,352 | $ 1,763,650 | $ 1,358,184 | $ 1,534,253 | $ 1,791,425 | $ 1,894,807 |
| Contributions in Relation to Contractually Required Contributions | 1,343,244 | 4,788,977 | 2,529,862 | 1,783,789 | 1,358,206 | 1,534,253 | 1,791,425 | 1,894,807 |
| **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** | **$ 15,435,511** | **$ 16,402,829** | **$ 17,775,634** |
| **Contributions as a % of Covered Payroll** | **14.93%** | **48.56%** | **21.38%** | **13.93%** | **8.87%** | **9.94%** | **10.92%** | **10.66%** |

**Notes to Schedule:**

Valuation Date: June 30, 2020

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%
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 eight 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 Distric

Schedule of Net Pension Liability Proportionate Shares
June 30, 2022

| **Miscellaneous Plan**<br>Fiscal Year Ended | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|---|---|---|
| Proportion of Net Pension Liability | 0.39847% | 0.41627% | 0.29137% | 0.27962% | 0.27629% | 0.29538% | 0.31934% | 0.18789% |
| Proportionate Share of Net Pension Liability | $ 9,848,203 | $ 11,420,126 | $ 10,121,906 | $ 11,022,824 | $ 10,412,478 | $ 11,828,627 | $ 13,470,046 | $ 3,567,574 |
| Covered Payroll | $ 8,448,635 | $ 8,994,979 | $ 9,862,578 | $ 11,834,150 | $ 12,802,887 | $ 15,311,826 | $ 15,435,511 | $ 16,402,829 |
| **Proportionate Share of NPL as a % of Covered Payroll** | **116.57%** | **126.96%** | **102.63%** | **93.14%** | **81.33%** | **77.25%** | **87.27%** | **21.75%** |
| **Plan's Fiduciary Net Position as a % of the TPL** | **81.15%** | **79.23%** | **80.93%** | **82.04%** | **84.37%** | **83.84%** | **83.28%** | **95.88%** |

Fiscal year 2015 was the first year of implementation, therefore only eight 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 Distric

Schedule of Contributions for Postemployment Benefits
June 30, 2022

| **Fiscal Year Ended** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|
| Actuarially determined contribution (ADC) | $ 609,000 | $ 624,000 | $ 643,000 | $ 686,000 | $ 707,000 |
| Less: actual contribution in relation to ADC | (412,000) | (670,768) | (638,539) | (789,326) | (832,763) |
| Contribution deficiency (excess) | $ 197,000 | $ (46,768) | $ 4,461 | $ 4,461 | $ (125,763) |
| | | | | | |
| Covered employee payrol | $ 12,802,887 | $ 13,550,000 | $ 16,838,000 | $ 18,617,066 | $ 19,523,601 |
| Contributions as a % of covered employee payrol | 3.22% | 4.95% | 3.79% | 4.24% | 4.27% |

***Assumptions and Methods***

| | |
|---|---|
| Valuation Date: | June 30, 2021 |
| Measurement Date: | June 30, 2021 |
| Actuarial Cost Method: | Entry age normal, level precentage of payroll |
| Amortization Period: | 4.8-year average remaining period |
| Asset Valuation Method: | Investment gains and loses spread over 5-year rolling period |
| Actuarial Assumptions: | |
| Discount Rate | 6.25% |
| General Inflation | 2.50% |
| Payroll Increases | 2.75% |
| Medical Trend | Non-Medicare - 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076.<br><br>Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076.<br><br>Medicare (Kaiser) - 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076. |
| PEMHCA Minimum Increases | 4.00% |
| Mortality, Retirement, Disability, Termination | CalPERS 2000-2019 experience study |
| Mortality Improvemen | CalPERS 2000-2019 experience study |
| Healthcare Participation for Future Retirees | CalPERS 2000-2019 experience study |

***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 no changes in benefit terms or trend rates.

PPACA excise tax was repealed 12/20/19. Since this is after the June 30, 2019 measurement date, the excise tax is included in the June 30, 2019 Total OPEB Liability (TOL).

Mortality improvement scale was updated to Scale MP-2019 from MP-2017 in fiscal year 2020.

Mortality improvement scale was updated to Scale MP-2021 from MP-2019 in fiscal year 2022.

The discount rate decreased from 7.0% to 6.5% in FY 2019, increased to 6.75% in FY 2019 and decreased to 6.25% in FY 2022.

In FY 2022, the general inflation rate decreased to 2.5% from 2.75%.

In FY 2022, the salary increases rate decreased to 2.75% from 3%.

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, 2022

| Fiscal Year Ended | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | |
| Service cost | $ 313,000 | $ 321,153 | $ 330,788 | $ 390,204 | $ 396,887 |
| Interest | 326,000 | 361,203 | 397,289 | 426,406 | 461,666 |
| Diff. between expected and actual experience | - | - | (156,450) | - | (260,022) |
| Changes of assumptions | - | - | (30,520) | (88,493) | (374,135) |
| Benefit payments | (113,000) | (162,000) | (152,768) | (185,539) | (239,326) |
| Net change in Total OPEB Liability | 526,000 | 520,356 | 388,339 | 542,578 | (14,930) |
| Total OPEB Liability - beginning | 4,585,000 | 5,111,000 | 5,631,356 | 6,019,695 | 6,562,273 |
| Total OPEB Liability - ending | $ 5,111,000 | $ 5,631,356 | $ 6,019,695 | $ 6,562,273 | $ 6,547,343 |
| **Plan fiduciary net position** | | | | | |
| Employer contributions | $ 513,000 | $ 412,000 | $ 670,768 | $ 638,539 | $ 789,326 |
| Net investment income | 287,000 | 259,143 | 232,579 | 212,944 | 1,432,096 |
| Benefit payments | (113,000) | (162,000) | (152,768) | (185,539) | (239,326) |
| Administrative expense | (1,000) | (6,064) | (807) | (2,274) | (1,975) |
| Net change in plan fiduciary net position | 686,000 | 503,079 | 749,772 | 663,670 | 1,980,121 |
| Plan fiduciary net position - beginning | 2,580,000 | 3,266,000 | 3,769,079 | 4,518,851 | 5,182,521 |
| Plan fiduciary net position - ending | $ 3,266,000 | $ 3,769,079 | $ 4,518,851 | $ 5,182,521 | $ 7,162,642 |
| Net OPEB liability (asset) | $ 1,845,000 | $ 1,862,277 | $ 1,500,844 | $ 1,379,752 | $ (615,299) |
| Plan fiduciary net position as a % of the total OPEB liability | 63.90% | 66.93% | 75.07% | 78.97% | 109.40% |
| Covered Employee Payrol | $ 11,834,150 | $ 12,802,887 | $ 13,550,000 | $ 16,838,000 | $ 18,617,066 |
| NOL as a % of covered employee payrol | 15.59% | 14.55% | 11.08% | 8.19% | -3.31% |
| TOL as a % of covered employee payrol | 43.19% | 43.99% | 44.43% | 38.97% | 35.17% |

*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

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 Balanc
Budget to Actual (GAAP)
Measure AA Capital Projects Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual (GAAP Basis) | Positive - (Negative) |
| Revenues: | | | | |
| Grant income | $ 3,088,932 | $ 4,013,932 | $ 3,563,999 | $ (449,933) |
| Investment earnings | 209,000 | 209,000 | (199,251) | (408,251) |
| Total revenues | 3,297,932 | 4,222,932 | 3,364,748 | (858,184) |
| Expenditures: | | | | |
| Current | | | | |
| Salaries and employee benefits | - | 585,629 | 397,294 | 188,335 |
| Capital outlay | 8,078,139 | 6,682,747 | 5,571,854 | 1,110,893 |
| Total expenditures | 8,078,139 | 7,268,376 | 5,969,148 | 1,299,228 |
| Excess (deficiency) of revenues over (under) expenditures | (4,780,207) | (3,045,444) | (2,604,400) | 441,044 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (4,780,207) | (3,045,444) | (2,604,400) | 441,044 |
| Fund balance beginning | 22,134,964 | 22,134,964 | 22,134,964 | - |
| Fund balance ending | $ 17,354,757 | $ 19,089,520 | $ 19,530,564 | $ 441,044 |

# Midpeninsula Regional Open Space District

Schedule of Revenues, Expenditures and Changes in Fund Balanc
Budget to Actual (GAAP)
GF Capital Projects Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts | | | Variance with Final Budget Positive - (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual (GAAP Basis) | |
| Revenues: | | | | |
| Grant income | $ - | $ - | $ - | $ - |
| Investment earnings | - | - | (12) | (12) |
| Total revenues | - | - | (12) | (12) |
| Expenditures: | | | | |
| Capital outlay | 23,360,120 | 23,169,520 | 19,529,525 | 3,639,995 |
| Total expenditures | 23,360,120 | 23,169,520 | 19,529,525 | 3,639,995 |
| Excess (deficiency) of revenues over (under) expenditures | (23,360,120) | (23,169,520) | (19,529,537) | 3,639,983 |
| Other financing sources (uses): | | | | |
| Transfers in | 22,877,596 | 22,686,996 | 23,802,249 | 1,115,253 |
| Transfers out | - | - | (4,755,236) | (4,755,236) |
| Total other financing sources (uses) | 22,877,596 | 22,686,996 | 19,047,013 | (3,639,983) |
| Net change in fund balance | (482,524) | (482,524) | (482,524) | - |
| Fund balance beginning | 482,524 | 482,524 | 482,524 | - |
| Prior period adjustment | - | - | - | - |
| Fund balance beginning - as adjusted | 482,524 | 482,524 | 482,524 | - |
| Fund balance ending | $ - | $ - | $ - | $ - |

# Midpeninsula Regional Open Space District
Schedule of Revenues, Expenditures and Changes in Fund Balanc
Budget to Actual (GAAP)
Debt Service Fund
For the Fiscal Year Ended June 30, 2022

| | Budgeted Amounts: Original | Budgeted Amounts: Final | Actual (GAAP Basis) | Variance with Final Budget Positive - (Negative) |
|---|---|---|---|---|
| Revenues: | | | | |
| Property taxes | $ 5,560,000 | $ 5,560,000 | $ 5,570,537 | $ 10,537 |
| Investment earnings | 19,000 | 19,000 | 17,704 | (1,296) |
| Total revenues | 5,579,000 | 5,579,000 | 5,594,234 | 15,234 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 8,120,000 | 8,120,000 | 8,120,000 | - |
| Interest | 7,924,888 | 7,924,888 | 7,924,888 | - |
| Total expenditures | 16,044,888 | 16,044,888 | 16,044,888 | - |
| Excess (deficiency) of revenues over (under) expenditures | (10,465,888) | (10,465,888) | (10,450,654) | 15,234 |
| Other financing sources (uses): | | | | |
| Transfers in | 10,465,888 | 10,465,888 | 10,369,518 | (96,370) |
| Total other financing sources (uses) | 10,465,888 | 10,465,888 | 10,369,518 | (96,370) |
| Net change in fund balance | - | - | (81,136) | (81,136) |
| Fund balance beginning | 4,229,931 | 4,229,931 | 4,229,931 | - |
| Fund balance ending | $ 4,229,931 | $ 4,229,931 | $ 4,148,795 | $ (81,136) |

# Midpeninsula Regional Open Space District

Measure AA Bond Program
Schedule of Program Expenditures
June 30, 2022

| Project No. | Project Description | Expenditures from July 01, 2021 through June 30, 2022 | Expenditures from Inception through June 30, 2022 |
|---|---|---|---|
| AA01 | Miramontes Ridge - Gateway to San Mateo Coast | $ 149,153 | $ 571,115 |
| AA02 | Regional: Bayfront Habitat Protection & Public Access Partnerships | 27,543 | 6,872,608 |
| AA03 | Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed & Grazing | 295,382 | 6,775,358 |
| AA04 | El Corte de Madera Creek: Bike Trail & Water Quality Projects | - | 966,168 |
| AA05 | La Honda Creek - Upper Recreation Area | 285,648 | 2,961,415 |
| AA06 | Hawthorn Public Access Improvements | 107,627 | 148,578 |
| AA07 | Driscoll Ranch Public Access, Wildlife Protection & Grazing | 157,594 | 12,656,277 |
| AA08 | La Honda/Russian Ridge: Upper San Gregorio Watershed | - | 2,153,910 |
| AA09 | Russian Ridge: Public Recreation, Grazing & Wildlife Protection | 106,862 | 796,787 |
| AA10 | Coal Creek: Reopen Alpine Road for Trail Use | 86,786 | 554,434 |
| AA11 | Rancho San Antonio: Interpretive Improvements, Refurbishing | - | 513,233 |
| AA15 | Regional: Redwood Protection & Salmon Fishery Conservation | - | 3,110,818 |
| AA17 | Regional: Complete Upper Stevens Creek Trail | - | 2,386,442 |
| AA18 | South Bay Foothills: Saratoga-to-Sea Trail & Wildlife Corridor | - | 1,164,187 |
| AA19 | El Sereno Dog Park & Connections | - | 1,564,764 |
| AA20 | South Bay Foothills: Wildlife Passage/Ridge Trail Improvements | 575,172 | 1,756,382 |
| AA21 | Bear Creek Redwoods: Public Recreation & Interpretive Projects | 3,674,948 | 14,925,751 |
| AA22 | Sierra Azul: Cathedral Oaks Public Access & Conservation Projects | 30,796 | 1,275,592 |
| AA23 | Sierra Azul: Mt Umunhum Public Access & Interpretation Projects | 168,052 | 23,134,891 |
| AA24 | Sierra Azul: Rancho de Guadalupe Family Recreation | - | 1,591,996 |
| AA25 | Sierra Azul: Loma Prieta Area Public Access, Regional Trails/Habitat Projects | 303,585 | 2,398,668 |
| | Total MAA Bond Project Expenditures | 5,969,148 | 88,279,374 |
| | Reimbursements from Grants, Contributions, and Other Funds | (3,563,999) | (10,860,690) |
| | Total MAA Bond Project Expenditures - Net Reimbursements | $ 2,405,149 | $ 77,418,684 |

**Midpeninsula Regional Open Space District**
Notes to Supplementary Information
June 30, 2022

## 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, 2022, 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 measurable 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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# *Other Independent Auditor's Reports*

Chavan and 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2023.

**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

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Chavan and 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

January 26, 2023
Morgan Hill, California

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**RESOLUTION NO. 23-___**

**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 $28,463,060 as of June 30, 2022; and

**WHEREAS**, per Board Policy 3.07, *Fund Balance Policy*, the minimum required Unassigned Fund Balance of the Midpeninsula Regional Open Space District is 30% of the Budgeted General Fund Tax Revenue, which is equivalent to $18,721,200 as of July 1, 2022, leaving available unassigned funds in the amount of $9,841,860; 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 and/or construction of District facilities, including in the Coastal Area, the Committed Fund for Future Acquisitions and Capital Projects for additional land acquisitions and future capital projects, and the Committed Fund for Equipment Replacement for the purchase and replacement of District vehicles and heavy equipment.

**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: $5,000,000 from the General Fund Unassigned Fund Balance to the Committed for Infrastructure Reserve Fund; $1.65 million from the General Fund Unassigned Fund Balance to the Committed for Future Acquisitions and Capital Projects, and $1,000,000 from the General Fund Unassigned Fund Balance to the Committed for Equipment Replacement.

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PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on February 22, 2023, at a regular meeting thereof, by the following vote:

**AYES:**
**NOES:**
**ABSTAIN:**
**ABSENT:**

**ATTEST:**

Craig Gleason, Secretary
Board of Directors

**APPROVED:**

Yoriko Kishimoto, President
Board of Directors

**APPROVED AS TO FORM:**

Hilary Stevenson, 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.

Maria Soria, District Clerk