

Santa Clara Valley Open Space Authority

Annual Financial Audit Report

June 30, 2016



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Santa Clara Valley Open Space Authority
Santa Clara County

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor’s Report	2 - 3
Management’s Discussion and Analysis	4 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	17
Notes to the Basic Financial Statements	18 - 39
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) General Fund – Assessment District 1	41
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Measure Q Parcel Tax Fund	42
Statement of Contributions for Pension Plans	43
Statement of Proportionate Share of Net Pension Liability	44
OTHER INDEPENDENT AUDITOR’S REPORTS:	
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 <i>Government Auditing Standards</i>	46 - 47

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Clara Valley Open Space Authority
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clara Valley Open Space Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions – CalPERS, and schedule of proportionate share of net pension 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.

New Accounting Principles

As discussed in Note 1 to the financial statements, the Authority adopted the provisions GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective June 30, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

C & A UP

September 23, 2016
San Jose, California

Management's Discussion and Analysis

Santa Clara Valley Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

INTRODUCTION

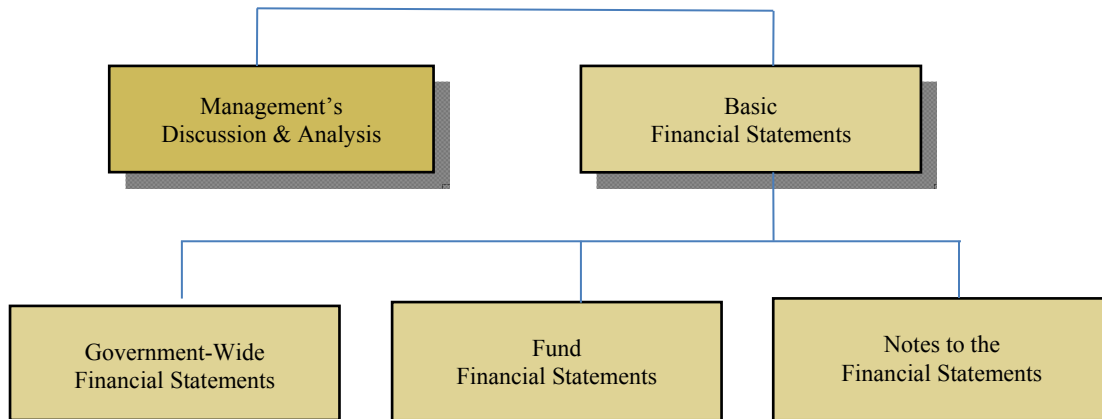
The Management's Discussion and Analysis (MD&A) is a required section of the Authority's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2016. This report will (1) focus on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority'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 Authority's operations and financial standing.

USING THE ANNUAL REPORT

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

Required Components of the Annual Financial Report



The view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2015 - 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors,

Santa Clara Valley Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

some financial, and some not. Non-financial factors include changing laws in California restricting revenue growth, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the Authority reports governmental activities. Governmental activities are the activities where the Authority's programs and services are reported. The Authority does not have any business type activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2016 were as follows:

- Total net position increased by \$16,760,729, from 2015 to 2016 primarily due to an increase in grants and assessment revenues.
- Capital assets, net of accumulated depreciation, increased by \$9,925,592 due to land acquisitions and other capital purchases.
- Current liabilities decreased by \$469,851 mainly due to a decrease in the funding program liability for a distribution for completed projects.
- Total deferred inflows increased by \$1,309,899 mainly due to an increase in unearned revenue from grant prepayments.
- Revenue increased by \$17,746,731 because of increases in grants and assessments from 2015 to 2016.

REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Authority's fund financial statements begins on page 14. Fund financial reports provide detailed information about the Authority's major funds. The Authority uses one operating fund, the General Fund, to account for a multitude of financial transactions.

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 Authority'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.

Santa Clara Valley Open Space Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

THE AUTHORITY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's net position as of June 30, 2016 as compared to June 30, 2015:

Table 1 - Summary of Statement of Net Position

Description	2016	2015	Change	Percentage Change
Assets				
Current Assets	\$ 36,695,793	\$ 29,195,886	\$ 7,499,907	25.69%
Capital Assets - Net	71,536,949	61,611,357	9,925,592	16.11%
Total Assets	\$ 108,232,742	\$ 90,807,243	\$ 17,425,499	19.19%
Deferred Outflows	\$ 606,788	\$ 192,716	\$ 414,072	214.86%
Liabilities				
Current Liabilities	\$ 2,263,877	\$ 2,733,728	\$ (469,851)	-17.19%
Noncurrent Liabilities	721,885	483,091	238,794	49.43%
Total Liabilities	\$ 2,985,762	\$ 3,216,819	\$ (231,057)	-7.18%
Deferred Inflows	\$ 2,885,699	\$ 1,575,800	\$ 1,309,899	83.13%
Net Position				
Net Investment in Capital Assets	\$ 71,536,949	\$ 61,611,357	\$ 9,925,592	16.11%
Restricted	670,689	706,353	(35,664)	-5.05%
Unrestricted	30,760,431	23,889,630	6,870,801	28.76%
Total Net Position	\$ 102,968,069	\$ 86,207,340	\$ 16,760,729	19.44%

Total net position increased by \$16,760,729. Total assets increased by \$17,425,499 and total liabilities decreased by \$231,057. Net investment in capital assets increased by \$9,925,592 as a result of additions to capital assets from land purchases and construction in progress.

Santa Clara Valley Open Space Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

Table 2 shows the changes in net position for fiscal year 2016 as compared to 2015.

Table 2 - Summary of Changes in Net Position				
Description	2016	2015	Change	Percentage Change
Revenues				
Program revenues:				
Operating grants and contributions	\$ 98,125	\$ 147,259	\$ (49,134)	-33.37%
Capital grants and contributions	8,600,000	441,000	8,159,000	1850.11%
General revenues:				
District 1 Assessments	4,209,818	4,185,314	24,504	0.59%
Measure Q Assessments	7,766,669	-	7,766,669	100.00%
20% funding program	-	(27,391)	27,391	100.00%
Investment income	189,719	140,731	48,988	34.81%
Other revenues	1,909,219	139,906	1,769,313	1264.64%
Total Revenues	22,773,550	5,026,819	17,746,731	353.04%
Program Expenses				
Administration	2,344,159	3,031,131	(686,972)	-22.66%
Public affairs	1,168,035	916,670	251,365	27.42%
Planning	819,431	674,512	144,919	21.49%
Land management	1,545,226	1,261,856	283,370	22.46%
Depreciation	135,970	129,622	6,348	4.90%
Total Expenses	6,012,821	6,013,791	(970)	-0.02%
Change in Net Position	16,760,729	(986,972)	17,747,701	1798.20%
Beginning Net Position	86,207,340	87,528,790	(1,321,450)	-1.51%
Prior Period Adjustment	-	(334,478)	334,478	100.00%
Ending Net Position	\$ 102,968,069	\$ 86,207,340	\$ 16,760,729	19.44%

Program revenues increased because the Authority received more state and local grants to purchase land in 2016. General revenue increased in 2016 because of Measure Q parcel tax assessments. Most of the Authority's revenue is derived from benefit assessments which are handled by the County of Santa Clara.

Santa Clara Valley Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

THE AUTHORITY'S FUND BALANCE

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

Table 3 - Summary of Fund Balance

Description	2016	2015	Change	Percentage Change
Assessment District 1	\$ 5,867,121	\$ 4,356,177	\$ 1,510,944	35%
Capital Reserve Fund	19,306,995	18,626,179	680,816	4%
Measure Q Fund	6,002,248	(16,389)	6,018,637	100%
Grant Fund	132,249	1,389,838	(1,257,589)	-100%
Endowment Fund	670,689	706,353	(35,664)	-5%
Total Fund Balance	\$ 31,979,302	\$ 25,062,158	\$ 6,917,144	28%

GENERAL FUND BUDGETING HIGHLIGHTS

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

Changes from the Authority's General Fund 2015/2016 original budget to the final budget are detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended. The final budgeted revenue and other financing sources estimate was \$4,558,759. The final budgeted expenditures estimate was \$7,231,850.

CAPITAL ASSETS

Table 4 shows June 30, 2016 capital asset balances as compared to June 30, 2015.

Table 4 - Summary of Capital Assets Net of Depreciation

Description	2016	2015	Change	Percentage Change
Land	\$ 69,052,922	\$ 59,740,031	\$ 9,312,891	15.59%
Construction in progress	741,385	65,351	676,034	1034.47%
Land improvements	2,182,455	2,182,455	-	0.00%
Furniture and fixtures	125,615	112,022	13,593	12.13%
Vehicles	505,641	446,597	59,044	13.22%
Accumulated depreciation	(1,071,069)	(935,099)	(135,970)	-14.54%
Total Capital Assets - Net	\$ 71,536,949	\$ 61,611,357	\$ 9,925,592	16.11%

Santa Clara Valley Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the Authority's budget for fiscal year 2017 on June 9, 2016. This budget assumes an increase of \$185,797 in assessment income from fiscal year 2016 to fiscal year 2017. The budget assumes the acquisition of \$5.03 million of new land and \$2.85 million of other capital spending. Operating expenditures are budgeted at \$6.05 million. The budget also includes \$400,000 in election expenses. If all revenues and expenditures occur as budgeted, the Authority's cash position would decrease by \$6.45 million in fiscal year 2017.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact the General Manager, Santa Clara Valley Open Space Authority, 6980 Santa Teresa Blvd., Ste., 100, San Jose, California 95119.

Basic Financial Statements

Santa Clara Valley Open Space Authority

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 28,030,067
Restricted cash and investments	8,365,497
Interest receivable	50,429
Accounts receivable	77,053
Other current assets	172,747
Total current assets	<u>36,695,793</u>
Noncurrent assets:	
Non-depreciable capital assets	69,794,307
Capital assets, net of depreciation	1,742,642
Total noncurrent assets	<u>71,536,949</u>
Total Assets	<u>\$ 108,232,742</u>
 Deferred Outflows of Resources	
Pension contributions and adjustments	<u>\$ 606,788</u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 22,149
Payroll and other liabilities	95,370
Funding program liability	2,146,358
Total current liabilities	<u>2,263,877</u>
Noncurrent liabilities:	
Net Pension Liability	541,769
Compensated absences	180,116
Total noncurrent liabilities	<u>721,885</u>
Total Liabilities	<u>\$ 2,985,762</u>
 Deferred Inflows of Resources	
Difference between projected and actual pension earnings	\$ 433,085
Unearned revenue	2,452,614
Total Deferred Inflows of Resources	<u>\$ 2,885,699</u>
 Net Position	
Net Investment in capital assets	\$ 71,536,949
Restricted for endowment	670,689
Unrestricted	30,760,431
Total Net Position	<u>\$ 102,968,069</u>

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

Santa Clara Valley Open Space Authority

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Administration	\$ 2,344,159	\$ -	\$ -	\$ (2,344,159)
Community Engagement	1,168,035	98,125	-	(1,069,910)
Planning	819,431	-	-	(819,431)
Land management	1,545,226	-	8,600,000	7,054,774
Depreciation	135,970	-	-	(135,970)
Total governmental activities	<u>\$ 6,012,821</u>	<u>\$ 98,125</u>	<u>\$ 8,600,000</u>	<u>2,685,304</u>
General revenues:				
Assessments				4,209,818
Measure Q Assessments				7,766,669
Investment income				189,719
Donations				1,247,854
Other revenues				<u>661,365</u>
Total general revenues and special items				<u>14,075,425</u>
Change in net position				16,760,729
Net position beginning				<u>86,207,340</u>
Net position ending				<u><u>\$ 102,968,069</u></u>

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

Santa Clara Valley Open Space Authority

Balance Sheet

Governmental Funds

June 30, 2016

	Assessment District 1 Fund	Capital Reserve Fund	Measure Q Fund	Grant Fund	Endowment Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 1,825,046	\$ 23,301,943	\$ -	\$ 2,903,078	\$ -	\$ 28,030,067
Restricted cash and investments	-	-	7,683,195	-	682,302	8,365,497
Interest receivable	14,901	26,140	9,388	-	-	50,429
Accounts receivable	77,053	-	-	-	-	77,053
Due from other funds	7,819,405	1,778,400	-	-	-	9,597,805
Other current assets	172,747	-	-	-	-	172,747
Total Assets	<u>\$ 9,909,152</u>	<u>\$ 25,106,483</u>	<u>\$ 7,692,583</u>	<u>\$ 2,903,078</u>	<u>\$ 682,302</u>	<u>\$ 46,293,598</u>
LIABILITIES						
Accounts payable	\$ 21,903	\$ -	\$ 246	\$ -	\$ -	\$ 22,149
Payroll and other liabilities	95,370	-	-	-	-	95,370
Due to other funds	1,778,400	5,799,488	1,637,475	370,829	11,613	9,597,805
Funding program liability	2,146,358	-	-	-	-	2,146,358
Total Liabilities	<u>4,042,031</u>	<u>5,799,488</u>	<u>1,637,721</u>	<u>370,829</u>	<u>11,613</u>	<u>11,861,682</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	52,614	2,400,000	-	2,452,614
FUND BALANCES						
Nonspendable for prepaid items	70,982	-	-	-	-	70,982
Restricted for:						
Endowment	-	-	-	-	670,689	670,689
Measure Q Projects	-	-	6,002,248	-	-	6,002,248
Grant Projects	-	-	-	132,249	-	132,249
Assigned for capital projects	-	19,306,995	-	-	-	19,306,995
Unassigned	5,796,139	-	-	-	-	5,796,139
Total Fund Balances	<u>5,867,121</u>	<u>19,306,995</u>	<u>6,002,248</u>	<u>132,249</u>	<u>670,689</u>	<u>31,979,302</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 9,909,152</u>	<u>\$ 25,106,483</u>	<u>\$ 7,692,583</u>	<u>\$ 2,903,078</u>	<u>\$ 682,302</u>	<u>\$ 46,293,598</u>

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

Santa Clara Valley Open Space Authority

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Total fund balance - governmental funds \$ 31,979,302

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	\$ 72,608,018	
Accumulated depreciation	<u>(1,071,069)</u>	71,536,949

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. (433,085)

Amounts due from other governments will not be collected soon enough to pay current period expenditures and are reported as deferred outflows of resources in governmental funds. 606,788

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term (noncurrent) liabilities at year-end consists of:

Net pension liability	\$ 541,769	
Compensated absences	<u>180,116</u>	<u>(721,885)</u>

Total net position - governmental activities \$ 102,968,069

Santa Clara Valley Open Space Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Assessment District 1 Fund	Capital Reserve Fund	Measure Q Fund	Grant Fund	Endowment Fund	Total Governmental Funds
Revenues:						
Assessments	\$ 4,209,818	\$ -	\$ 7,766,669	\$ -	\$ -	\$ 11,976,487
Investment income	53,848	118,165	16,039	-	1,667	189,719
Donations	1,247,854	-	-	-	-	1,247,854
Intergovernmental grants	-	8,600,000	-	98,125	-	8,698,125
Other revenues	211,194	450,171	-	-	-	661,365
Total revenues	5,722,714	9,168,336	7,782,708	98,125	1,667	22,773,550
Expenditures:						
Current:						
Administration	1,923,783	5,765	348,886	8,000	-	2,286,434
Community Engagement	1,055,539	-	106,158	-	-	1,161,697
Planning	665,382	2,902	119,656	24,193	-	812,133
Land management	1,139,414	-	349,054	-	37,331	1,525,799
Capital outlay	310,173	8,919,853	840,317	-	-	10,070,343
Total expenditures	5,094,291	8,928,520	1,764,071	32,193	37,331	15,856,406
Excess (deficiency) of revenues over (under) expenditures	628,423	239,816	6,018,637	65,932	(35,664)	6,917,144
Other financing sources (uses):						
Transfers in	910,242	441,000	-	27,721	-	1,378,963
Transfers out	(27,721)	-	-	(1,351,242)	-	(1,378,963)
Total other financing sources (uses)	882,521	441,000	-	(1,323,521)	-	-
Net change in fund balances	1,510,944	680,816	6,018,637	(1,257,589)	(35,664)	6,917,144
Fund balances beginning	5,729,626	18,626,179	-	-	706,353	25,062,158
Prior period adjustment	(1,373,449)	-	(16,389)	1,389,838	-	-
Fund balances beginning - as adjusted	4,356,177	18,626,179	(16,389)	1,389,838	706,353	25,062,158
Fund balances ending	\$ 5,867,121	\$ 19,306,995	\$ 6,002,248	\$ 132,249	\$ 670,689	\$ 31,979,302

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

Santa Clara Valley Open Space Authority
 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, 2016

Total net change in fund balance - governmental funds \$ 6,917,144

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.

Additions to capital assets	\$ 10,061,562	
Depreciation expense	<u>(135,970)</u>	9,925,592

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (38,133)

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. (43,874)

Change in net position of governmental activities \$ 16,760,729

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. General

The Santa Clara Valley Open Space Authority (the Authority) was created on February 1, 1993 under California Public Resources Code, Section 35100. The purpose of the Authority is to acquire land through fee title and conservation easement for the preservation of open space, creation of a greenbelt, and to encourage agricultural activities, in an effort to counter the continuing and serious conversion of lands to urban uses. The priorities for such acquisitions were set through a public process that included input from members of the public, the Authority's Citizens' Advisory Committee and the cities and county within the Authority's jurisdiction, and culminated in the creation of the Authority's Five-Year Plan.

B. Reporting Entity

The governing board consists of seven officials who, together, constitute the Board of Directors. The Authority's combined financial statements include the accounts of all its operations. The Authority evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2016, the Authority does not have any component units and is not a component unit of any other reporting entity.

C. Accounting Principles

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

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 Authority. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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 Authority. 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 a 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 Authority'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 Authority 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 Authority, 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 Authority.

Fund Financial Statements:

Fund financial statements report detailed information about the Authority. 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 year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Authority, "available" means collectible within the current period or within 60 days after year-end.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Non-exchange transactions, in which the Authority receives value *without* directly giving equal value in return, include assessment, grants, and donations. Under the accrual basis, revenue from assessments are recognized in the fiscal year of the assessment. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Donations are generally recognized in the year received unless donor imposed restrictions exist. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period, such as prepaid items and deferred charges.

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

Unearned Revenue:

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences, 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Fund Accounting

The accounts of the Authority are organized into five funds with a separate set of self-balancing accounts that comprise of the Authority's assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund (Assessment District 1) is always a major fund. The Authority may also select other funds it believes should be presented as major funds.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Assessment District No. 1 Fund - The Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund when necessary.

Capital Reserve Fund - The Authority's long term reserve.

Measure Q Fund - The Authority's fund for tracking Measure Q parcel tax revenues, and expenditures for related projects.

Grant Fund - The Authority's fund used to account for grant revenues and expenditures.

Endowment Fund - The Authority's holding fund for the Valley Transportation Authority (VTA). The earnings from endowment funds are used to care for mitigation properties.

G. Budgets and Budgetary Accounting

The Authority follows specific procedures in establishing the budgetary data reflected in the financial statements. The Authority's General Manager prepares and submits an operating and capital budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting.

The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The Authority's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for Assessment District No. 1 at the detailed expenditure-type level.

The Authority presents a comparison of the annual budget to actual results for Assessment District No. 1 and Measure Q at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. The budgeted revenue amounts represent the adopted budget as originally approved.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

Cash and cash equivalents include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

2. Investments and Investment Policy

The Authority has adopted an investment policy that permits investments in any instrument permitted under the California Government Code Section 53648.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

3. Prepaid Expenditures

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

4. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment, vehicles and furniture and fixtures.

The Authority has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in governmental funds and as assets in the government-wide financial statements to the extent the Authority's capitalization threshold is met.

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

<u>Assets</u>	<u>Years</u>
Land improvements	3 - 50
Furniture and Equipment	3 - 5
Vehicles	5

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

5. Compensated Absences

The Authority's personnel policies provide for paid vacation and sick leave (employee benefits) to its employees. Liabilities for vacation leave are recorded when granted up to a maximum of 240 hours. Employees having attained five years of employment are paid one-third of accrued sick leave, up to a 15 day maximum, upon retirement. Changes in compensated absences for the fiscal year ended June 30, 2016 were as follows:

Beginning balance	\$ 136,242
Additions	43,874
Retirements	-
Ending Balance	<u>\$ 180,116</u>

6. Long-Term Debt/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. The Authority did not have any long-term debt outstanding as of June 30, 2016.

7. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Interfund loans are reported as either "due from/due to other funds."

Services provided, deemed to be at-market or near-market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund activity is eliminated in the government-wide financial statements.

8. Fund Balance Classifications

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

- *Nonspendable* fund balance includes amounts that cannot be spent either because they are 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 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 year-end. Committed fund balances are imposed by the Authority's board of directors.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.
- *Unassigned* fund balance includes positive amounts within the general fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

9. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The Authority 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 year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

10. Benefit Assessment

The Authority utilizes the services of the Santa Clara County Tax Collector's Office to bill and collect the benefit assessment levied by the Authority each year on the property tax bills under the County Teeter Plan. Property tax bills are due on December 10th and April 10th each fiscal year. Therefore, the Authority receives two special assessment revenue payments, at the end of January and June, each year.

11. Pensions

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 Agency's California Public Employees' Retirement System (CalPERS) plan (the 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.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

12. Accounting Estimates

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

I. Implemented New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*

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

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

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

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

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

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

The implementation of GASB 72 did not have a significant impact on the Authority's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

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

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

The implementation of GASB 76 did not have a significant impact on the Authority's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

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

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

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

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The implementation of GASB 79 did not have a significant impact on the Authority's financial statements and did not result in any prior period restatements or adjustments.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

J. Upcoming Accounting and Reporting Changes

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

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

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

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

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

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

The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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

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

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

GASB Statement No. 77, Tax Abatement Disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

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

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

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

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

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes cash and investments as of June 30, 2016:

Cash and Investments	Cash and Cash Equivalents Available		
	for Operations	Restricted	Total
Cash Deposits:			
Cash in banks	\$ 799,866	\$ -	\$ 799,866
Money market accounts	-	317,596	317,596
Petty Cash	2,293	-	2,293
Total Cash Deposits	802,159	317,596	1,119,755
Investments:			
California Local Agency Investment Fund	-	364,706	364,706
Santa Clara County Pool	27,227,908	7,683,195	34,911,103
Total Investments	27,227,908	8,047,901	35,275,809
Total Cash and Cash Equivalents	\$ 28,030,067	\$ 8,365,497	\$ 36,395,564

Cash in Banks

Cash balances in banks are insured up to \$250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The Authority's accounts are held with various banks. As of June 30, 2016, the Authority's bank balances exceeded FDIC coverage by \$917,957. However, this balance was fully collateralized per Government Code. The differences between the bank balances and the carrying amount are due to reconciling items such as deposits in transit and outstanding checks.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 Authority has the following recurring fair value measurements as of June 30, 2016:

- California Local Agency Investment Fund (LAIF) of \$364,706; valued using Level 2 inputs.
- Money Market of \$317,596; valued using Level 2 inputs.
- Santa Clara County Pool of \$34,911,103; valued using Level 2 inputs.

Cash in Santa Clara County Treasury

Santa Clara County is a fiscal agent of the Authority. The fair value of the Authority's investment in the county pool is reported at amounts based on the Authority'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 cost basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average weighted maturity of 439 days.

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 Authority participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

LAIF allows local agencies such as the Authority to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2016, was approximately \$75.4 billion. Of that amount, 99.25% is invested in non-derivative financial products and .75% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand.

Policies and Practices

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Authority'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
Local Agency Bonds, Notes, Warrants	5 years	No Limit	No Limit
Registered State Bonds, Notes, Warrants	5 years	No Limit	No Limit
U.S. Agency Securities	5 years	No Limit	No Limit
Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit
Joint Power Authority Pools	N/A	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	No Limit	No Limit

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

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

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

fair value to the changes in market interest rates. The Authority manages its exposure to interest rate risk by investing in the Santa Clara County investment pool and LAIF, which had fair values of approximately \$6.26 billion and \$75.4 billion, respectively as of June 30, 2016.

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 2015-16 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. The County's two other investment types, LAIF and money market mutual funds, are not rated.

c) Custodial Credit Risk – Deposits

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

d) Concentration of Credit Risk

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

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

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

Capital Assets	Balance July 01, 2015	Additions	Deletions/ Adjustments	Balance June 30, 2016
Non-depreciable:				
Land	\$ 59,740,031	\$ 9,312,891	\$ -	\$ 69,052,922
Construction in Progress	65,351	676,034	-	741,385
Total Non-Depreciable	59,805,382	9,988,925	-	69,794,307
Depreciable:				
Land improvements	2,182,455	-	-	2,182,455
Furniture and fixtures	112,022	13,593	-	125,615
Vehicles	446,597	59,044	-	505,641
Less Accumulated Depreciation for:	(935,099)	(135,970)	-	(1,071,069)
Total Depreciable - Net	1,805,975	(63,333)	-	1,742,642
Total Capital Assets - Net	<u>\$ 61,611,357</u>	<u>\$ 9,925,592</u>	<u>\$ -</u>	<u>\$ 71,536,949</u>

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2016:

Fund	Due From	Due to
Assessment District 1 Fund	\$ 7,819,405	\$ 1,778,400
Capital Reserve Fund	1,778,400	5,799,488
Measure Q Fund	-	1,637,475
Grant Fund	-	370,829
Endowment Fund	-	11,613
Totals	\$ 9,597,805	\$ 9,597,805

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. For the fiscal year ended June 30, 2016, the Authority had interfund transfers out of the General Fund into the Grant Fund for \$27,721. There were also transfers out of the Grant Fund into the Capital Reserve Fund for \$441,000 and into the General Fund for \$910,242 for the fiscal year ended June 30, 2016.

NOTE 5 - FUNDING PROGRAM LIABILITY

The 20% Funding Program was established to assist participating jurisdictions with their own urban open space programs. The Five-Year Plan defines participating jurisdictions to consist of the cities of Campbell, Milpitas, Morgan Hill, San Jose, Santa Clara, and the unincorporated areas of Santa Clara County not within the Midpeninsula Regional Open Space Authority's boundaries. The program is funded with 20% of the Authority's capital fund expenditures; the primary objective of which is for the acquisition of open space in urban areas. Recognizing that opportunities for land acquisition is limited or unavailable within urban areas, funds may be used for environmental restoration and/or site development projects that provide or enhance open space.

The liability as of June 30, 2016 was as follows:

Government Agency	Balance	Additions	Project Completion	Balance
	June 30, 2015		Distributions	June 30, 2016
City of Campbell	\$ 23,836	\$ -	\$ -	\$ 23,836
City of Milpitas	165,249	-	-	165,249
City of Morgan Hill	27,703	-	-	27,703
City of San Jose	1,567,635	-	(375,000)	1,192,635
City of Santa Clara	425,446	-	-	425,446
Santa Clara County	311,489	-	-	311,489
Total	\$ 2,521,358	\$ -	\$ (375,000)	\$ 2,146,358

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the Special District Risk Management Authority (SDRMA). During the fiscal year ended June 30, 2016, the Authority had up to \$100 million per occurrence for workers compensation and \$5 million for employer's liability coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage from SDRMA.

The Authority has purchased additional insurance with a private insurance carrier to cover potential loss from various identified risks including loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disasters. Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the current year. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation

The Authority 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 Authority's financial position or results of operations as of June 30, 2016.

Facilities Leases

The Authority's facilities are leased under an operating lease. In 2008, the Authority moved and entered into a long-term (5-year) lease for new facilities commencing in June of 2008 and expiring May 31, 2013. On February 28, 2013 the agreement was modified to extend until May 31, 2016. On March 15, 2016 the agreement was modified to extend until June 30, 2017. Rent expense for the year ended June 30, 2016 amounted to \$117,112. As of June 30, 2016, the future minimum rental payments required under the Authority's 5-year operating lease were \$123,585 for the fiscal year ending June 30, 2017.

On November 24, 2013, the Authority leased office space under an operating lease for the land management office. The current lease runs from October 1, 2013 through September 30, 2016. Rent expense for the year ended June 30, 2016 was \$62,400.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Tier 1	Tier 2	PEPRA
Hire date	Before June 27, 2011	After June 27, 2011; Before January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%	2.00%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.00%	8.00%	6.24%

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 both Plans 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	Total
Contributions - employer	\$ 192,716
Contributions - employee	92,065
Total contributions	<u>\$ 284,781</u>

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

As of June 30, 2016, the Authority reported net pension liabilities for its proportionate shares of the net pension liability totaling \$541,769.

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0140%
Proportion - June 30, 2015	0.0197%
Change	0.0057%

For the year ended June 30, 2016, the Authority recognized pension expense of \$38,133. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 322,410	\$ -
Changes in assumptions	-	(106,553)
Differences between expected and actual experiences	11,262	-
Net differences between projected and actual earnings on plan investments	273,116	(326,532)
Total	\$ 606,788	\$ (433,085)

The Authority reported \$322,410 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 ending June 30, 2017.

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

	Deferred Outflows/(inflows) of Resources
Measurement Periods Ended June 30:	
2016	\$ 247,812
2017	(74,598)
2018	(67,791)
2019	68,280
Total	\$ 173,703

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

Rate – The following presents the Authority's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 908,585
Current Discount Rate	7.65%
Net Pension Liability	\$ 541,769
1% Increase	8.65%
Net Pension Liability	\$ 238,920

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

Santa Clara Valley Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 9 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

REQUIRED
SUPPLEMENTARY
INFORMATION

Santa Clara Valley Open Space Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund - Assessment District 1
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Assessments	\$ 4,244,509	\$ 4,244,509	\$ 4,209,818	\$ (34,691)
Investment income	15,000	15,000	53,848	38,848
Donations	-	5,000	1,247,854	1,242,854
Other revenues	-	294,250	211,194	(83,056)
Total revenues	<u>4,259,509</u>	<u>4,558,759</u>	<u>5,722,714</u>	<u>1,163,955</u>
Expenditures:				
Current:				
Administration	2,553,715	2,553,715	1,923,783	629,932
Community Engagement	1,349,863	1,349,863	1,055,539	294,324
Planning	895,829	895,829	665,382	230,447
Land management	2,073,943	2,033,943	1,139,414	894,529
Capital outlay	398,500	398,500	310,173	88,327
Total expenditures	<u>7,271,850</u>	<u>7,231,850</u>	<u>5,094,291</u>	<u>2,137,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,012,341)</u>	<u>(2,673,091)</u>	<u>628,423</u>	<u>3,301,514</u>
Other financing sources (uses):				
Transfers in	-	-	910,242	910,242
Transfers out	-	-	(27,721)	(27,721)
20% funding program	(75,000)	(75,000)	-	75,000
Total other financing sources (uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>882,521</u>	<u>957,521</u>
Net change in fund balance	(3,087,341)	(2,748,091)	1,510,944	4,259,035
Fund balance beginning	5,729,626	5,729,626	5,729,626	-
Prior period adjustment	(1,373,449)	(1,373,449)	(1,373,449)	-
Fund balance beginning - adjusted	<u>4,356,177</u>	<u>4,356,177</u>	<u>4,356,177</u>	<u>-</u>
Fund balance ending	<u>\$ 1,268,836</u>	<u>\$ 1,608,086</u>	<u>\$ 5,867,121</u>	<u>\$ 4,259,035</u>

Santa Clara Valley Open Space Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Measure Q Parcel Tax Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Assessments	\$ 3,960,000	\$ 3,960,000	\$ 7,766,669	\$ 3,806,669
Investment income	2,000	2,000	16,039	14,039
Total revenues	<u>3,962,000</u>	<u>3,962,000</u>	<u>7,782,708</u>	<u>3,820,708</u>
Expenditures:				
Current:				
Administration	130,343	130,343	348,886	(218,543)
Community Engagement	187,167	187,167	106,158	81,009
Planning	169,629	169,629	119,656	49,973
Land management	281,656	281,656	349,054	(67,398)
Capital outlay	<u>3,358,300</u>	<u>3,358,300</u>	<u>840,317</u>	<u>2,517,983</u>
Total expenditures	<u>4,127,095</u>	<u>4,127,095</u>	<u>1,764,071</u>	<u>2,363,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,095)</u>	<u>(165,095)</u>	<u>6,018,637</u>	<u>6,183,732</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(165,095)	(165,095)	6,018,637	6,183,732
Fund balance beginning	-	-	-	-
Prior period adjustment	<u>(16,389)</u>	<u>(16,389)</u>	<u>(16,389)</u>	<u>-</u>
Fund balance beginning - adjusted	<u>(16,389)</u>	<u>(16,389)</u>	<u>(16,389)</u>	<u>-</u>
Fund balance ending	<u>\$ (181,484)</u>	<u>\$ (181,484)</u>	<u>\$ 6,002,248</u>	<u>\$ 6,183,732</u>

Santa Clara Valley Open Space Authority

Schedule of Contributions - Pension Plans

For the Fiscal Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contributions (Actuarially Determined)	\$ 192,716	\$ 145,375
Contributions in Relation to Actuarially Determined Contributions	192,716	145,375
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>
Covered Employee Payroll	\$ 2,005,013	\$ 1,367,086
Contributions as a Percentage of Covered Payroll	9.61%	10.63%

Notes to Schedule:

Valuation Date: June 30, 2014

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

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

Santa Clara Valley Open Space Authority
 Schedule of Proportionate Share of Net Pension Liability
 For the Fiscal Year Ended June 30, 2016

	2016	2015
Authority's Proportion of Net Pension Liability	0.01975%	0.01403%
Authority's Proportionate Share of Net Pension Liability	\$ 541,769	\$ 346,849
Authority's Covered Employee Payroll	\$2,005,013	\$1,367,086
Authority's Proportionate Share of NPL as a % of Covered Employee Payroll	27.02%	25.37%
Plan's Fiduciary Net Position as a % of the TPL	77.04%	83.03%

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

OTHER INDEPENDENT
AUDITOR'S REPORTS



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

Board of Directors
Santa Clara Valley Open Space Authority
San Jose, 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 Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not



express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

September 23, 2016
San Jose, California