

Santa Clara County Open Space Authority

Annual Financial Audit Report

June 30, 2014



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Santa Clara County Open Space Authority
Santa Clara County

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FINANCIAL
SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clara County Open Space Authority (the District), as of and for the year ended June 30, 2014, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, 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 and budgetary comparison information, 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.

Other Information

As discussed in Note 1 to the financial statements, the Authority adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 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 CP

September 22, 2014
San Jose, California

Management's Discussion and Analysis

Santa Clara County Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

INTRODUCTION

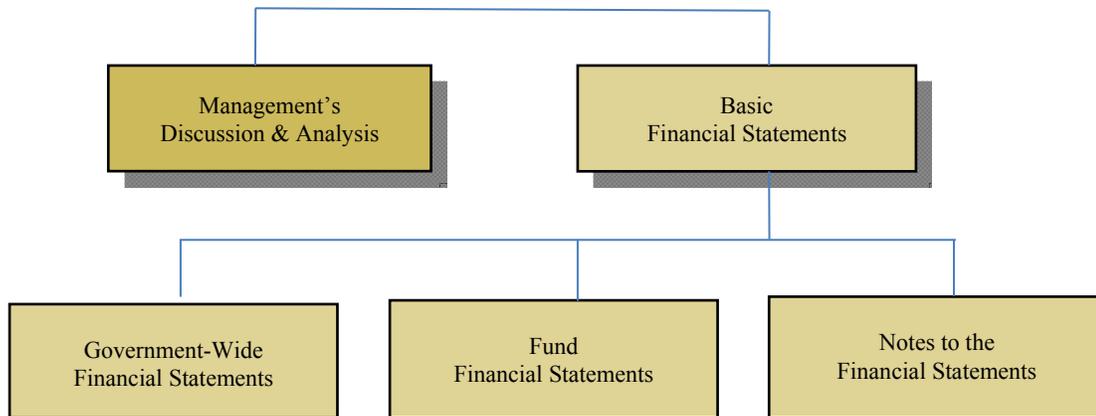
The Management's Discussion and Analysis (MD&A) is a required section of the Authority's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2014. 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 2013 - 2014?" 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 County Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014 were as follows:

- Total net position decreased by \$188,065 which included a decrease in unrestricted net position of \$655,371.
- Capital assets, net of accumulated depreciation, increased by \$507,067.
- Current liabilities increased by \$142,125 because of the timing of payroll and payroll accruals at the end of the year.
- Revenue decreased by \$258,980 because of decreases in grants from 2013 to 2014.
- Total operating expenses increased by \$211,874 mostly from increased program expenses during the year.

REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Authority's fund financial statements begins on page 10. 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 County Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014 as compared to June 30, 2013:

Table 1 - Summary of Statement of Net Position				
	2014	2013	Change	Percentage Change
Assets				
Current Assets	\$ 34,299,910	\$ 34,821,740	\$ (521,830)	-1.50%
Capital Assets - Net	56,240,185	55,733,118	507,067	0.91%
Total Assets	\$ 90,540,095	\$ 90,554,858	\$ (14,763)	-0.02%
Liabilities				
Current Liabilities	\$ 2,896,551	\$ 2,754,426	\$ 142,125	5.16%
Noncurrent Liabilities	114,754	83,577	31,177	37.30%
Total Liabilities	\$ 3,011,305	\$ 2,838,003	\$ 173,302	6.11%
Net Position				
Net Investment in Capital Assets	\$ 56,240,185	\$ 55,733,118	\$ 507,067	0.91%
Restricted	742,876	782,637	(39,761)	-5.08%
Unrestricted	30,545,729	31,201,100	(655,371)	-2.10%
Total Net Position	\$ 87,528,790	\$ 87,716,855	\$ (188,065)	-0.21%

Total net position decreased by \$188,065 as expenses exceeded revenues. Total assets decreased by \$14,763 and total liabilities increased by \$173,302. Net investment in capital assets increased by \$507,067 as a result of \$629,231 in additions net current year depreciation of \$122,164.

Table 2 shows the changes in net position for fiscal year 2014 as compared to 2013.

Table 2 - Summary of Changes in Net Position				
	2014	2013	Change	Percentage Change
Revenues				
General revenues:				
Assessments	\$ 4,205,669	\$ 4,155,331	\$ 50,338	1.21%
20% funding program	(128,219)	(164,481)	36,262	-22.05%
Investment income	141,117	202,506	(61,389)	-30.31%
Other revenues	161,350	445,541	(284,191)	-63.79%
Total Revenues	4,379,917	4,638,897	(258,980)	-5.58%
Program Expenses				
Administration	2,311,585	2,330,016	(18,431)	-0.79%
Program	367,019	161,020	205,999	127.93%
Land management	1,768,547	1,363,854		
Depreciation	122,164	97,858	24,306	24.84%
Total Expenses	4,569,315	3,952,748	211,874	5.36%
Change in Net Position	(189,398)	686,149	(470,854)	-68.62%
Beginning Net Position	87,716,855	87,030,706	686,149	0.79%
Prior Period Adjustment	1,333	-	1,333	100.00%
Ending Net Position	\$ 87,528,790	\$ 87,716,855	\$ 216,628	0.25%

Santa Clara County Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

General revenues decreased because the Authority received less grants in 2014 than it had in 2013 as reflected in other revenues. Most of the Authority's revenue is derived from benefit assessments which are handled by the County of Santa Clara. Investment earnings declined due to the impact of lower interest rates.

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				
	2014	2013	Change	Percentage Change
Assessment District 1	\$ 4,517,365	\$ 4,598,494	\$ (81,129)	-2%
Capital Reserve Fund	26,143,118	26,686,183	(543,065)	100%
Endowment Fund	742,876	782,637	(39,761)	-5%
Total Fund Balance	\$ 31,403,359	\$ 32,067,314	\$ (663,955)	-2%

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of the 2013-14 fiscal year, the Authority did not revise its General Fund budget. The final budgeted revenue and other financing sources estimate was \$4,615,458. The final budgeted expenditures estimate was \$4,212,142.

CAPITAL ASSETS

Table 4 shows June 30, 2014 capital asset balances as compared to June 30, 2013.

Table 4 - Summary of Capital Assets Net of Depreciation				
	2014	2013	Change	Percentage Change
Land	\$ 55,235,543	\$ 55,032,067	\$ 203,476	0.37%
Construction in progress	65,351	142,293	(76,942)	-54.07%
Land improvements	1,286,419	881,495	404,924	45.94%
Furniture and fixtures	114,643	83,954	30,689	36.55%
Vehicles	346,327	279,243	67,084	24.02%
Accumulated depreciation	(808,098)	(685,934)	(122,164)	17.81%
Total Capital Assets - Net	\$ 56,240,185	\$ 55,733,118	\$ 507,067	0.91%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the Authority's budget for fiscal year 2015 on June 12, 2014. This budget assumes an increase of \$11,277 in assessment income from fiscal year 2014 to fiscal year 2015. The budget assumes the acquisition of \$6.27 million of new land and \$1.725 million of other capital spending. Operating expenditures are budgeted at \$3.685 million. The budget also includes \$1.7 million in election expenses. If all revenues and expenditures occur as budgeted, the Authority's cash position would decrease by \$11.121 million in fiscal year 2015.

Santa Clara County Open Space Authority

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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 County Open Space Authority, 6980 Santa Teresa Blvd., Ste., 100, San Jose, California 95119.

Basic Financial Statements

Santa Clara County Open Space Authority

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 33,475,125
Restricted cash and investments	768,488
Interest receivable	31,389
Accounts receivable	6,141
Other current assets	18,767
Total current assets	<u>34,299,910</u>
Noncurrent assets:	
Non-depreciable capital assets	55,300,894
Capital assets, net of depreciation	939,291
Total noncurrent assets	<u>56,240,185</u>
Total Assets	<u><u>\$ 90,540,095</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 329,739
Payroll and other liabilities	72,845
Funding program liability	2,493,967
Total current liabilities	<u>2,896,551</u>
Noncurrent liabilities:	
Compensated absences	114,754
Total Liabilities	<u><u>\$ 3,011,305</u></u>
Net Position	
Net Investment in capital assets	\$ 56,240,185
Restricted for endowment	742,876
Unrestricted	30,545,729
Total Net Position	<u><u>\$ 87,528,790</u></u>

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

Santa Clara County Open Space Authority

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
Governmental activities:	
Administration	\$ 2,311,585
Program	367,019
Land management	1,768,547
Depreciation	<u>122,164</u>
Total governmental activities	<u>4,569,315</u>
General revenues:	
Assessments	4,205,669
Investment income	141,117
Donations	5,532
Other revenues	155,818
Special item: 20% funding program	<u>(128,219)</u>
Total general revenues and special items	<u>4,379,917</u>
Change in net position	(189,398)
Net position beginning	87,716,855
Prior period adjustment	<u>1,333</u>
Net position beginning as adjusted	<u>87,718,188</u>
Net position ending	<u>\$ 87,528,790</u>

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

Santa Clara County Open Space Authority

Balance Sheet

Governmental Funds

June 30, 2014

	Assessment District 1 Fund	Capital Reserve Fund	Endowment Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,859,663	\$ 26,615,462	\$ -	\$ 33,475,125
Restricted cash and investments	-	-	768,488	768,488
Interest receivable	5,347	26,042	-	31,389
Accounts receivable	6,141	-	-	6,141
Due from other funds	523,998	-	-	523,998
Other current assets	18,767	-	-	18,767
Total Assets	<u>\$ 7,413,916</u>	<u>\$ 26,641,504</u>	<u>768,488</u>	<u>\$ 34,823,908</u>
LIABILITIES				
Accounts payable	\$ 329,739	\$ -	\$ -	\$ 329,739
Payroll and other liabilities	72,845	-	-	72,845
Due to other funds	-	498,386	25,612	523,998
Funding program liability	2,493,967	-	-	2,493,967
Total Liabilities	<u>2,896,551</u>	<u>498,386</u>	<u>25,612</u>	<u>3,420,549</u>
FUND BALANCES				
Nonspendable for prepaid items	2,260	-	-	2,260
Restricted for endowment	-	-	742,876	742,876
Assigned for capital projects	-	26,143,118	-	26,143,118
Unassigned	4,515,105	-	-	4,515,105
Total Fund Balances	<u>4,517,365</u>	<u>26,143,118</u>	<u>742,876</u>	<u>31,403,359</u>
Total Liabilities and Fund Balances	<u>\$ 7,413,916</u>	<u>\$ 26,641,504</u>	<u>\$ 768,488</u>	<u>\$ 34,823,908</u>

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

Santa Clara County Open Space Authority

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2014

Total fund balance - governmental funds \$ 31,403,359

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	\$ 57,048,283	
Accumulated depreciation	<u>(808,098)</u>	56,240,185

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:

Compensated absences	<u>(114,754)</u>
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Total net position - governmental activities \$ 87,528,790

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

Santa Clara County Open Space Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Assessment District 1 Fund	Capital Reserve Fund	Endowment Fund	Total Governmental Funds
Revenues:				
Assessments	\$ 4,205,669	\$ -	\$ -	\$ 4,205,669
Investment income	22,519	114,459	4,139	141,117
Donations	5,532	-	-	5,532
Other revenues	155,818	-	-	155,818
Total revenues	<u>4,389,538</u>	<u>114,459</u>	<u>4,139</u>	<u>4,508,136</u>
Expenditures:				
Current:				
Administration	2,311,096	-	-	2,311,096
Program	367,019	-	-	367,019
Land management	1,736,955	-	31,592	1,768,547
Capital outlay	598,543	-	-	598,543
Total expenditures	<u>5,013,613</u>	<u>-</u>	<u>31,592</u>	<u>5,045,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(624,075)</u>	<u>114,459</u>	<u>(27,453)</u>	<u>(537,069)</u>
Other financing sources (uses):				
Transfers in	657,524	-	-	657,524
Transfers out	-	(657,524)	-	(657,524)
20% funding program	(128,219)	-	-	(128,219)
Total other financing sources (uses)	<u>529,305</u>	<u>(657,524)</u>	<u>-</u>	<u>(128,219)</u>
Net change in fund balances	<u>(94,770)</u>	<u>(543,065)</u>	<u>(27,453)</u>	<u>(665,288)</u>
Fund balances beginning	4,624,106	26,686,183	757,025	32,067,314
Prior period adjustment	(11,971)	-	13,304	1,333
Fund balances beginning - as adjusted	<u>4,612,135</u>	<u>26,686,183</u>	<u>770,329</u>	<u>32,068,647</u>
Fund balances ending	<u>\$ 4,517,365</u>	<u>\$ 26,143,118</u>	<u>\$ 742,876</u>	<u>\$ 31,403,359</u>

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

Santa Clara County 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, 2014

Total net change in fund balance - governmental funds \$ (665,288)

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	\$ 629,231	
Depreciation expense	<u>(122,164)</u>	507,067

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.

(31,177)

Change in net position of governmental activities

\$ (189,398)

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

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. General

The Santa Clara County 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 authority 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, 2014, 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).

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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.

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.

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

For the Authority, “available” means collectible within the current period or within 60 days after year-end.

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 three 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

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

(Assessment District 1) is always a major fund. The Authority may also select other funds it believes should be presented as major funds.

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.

Endowment Fund - The Authority's holding fund for mitigation land management endowments contributed to the Authority. 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 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 County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 of the Assessment District No. 1 Fund 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

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 termination of employment. Changes in compensated absences for the fiscal year ended June 30, 2014 were as follows:

Beginning balance	\$ 83,577
Additions	31,177
Retirements	-
Ending Balance	<u>\$ 114,754</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.

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

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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.
- *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.

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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. 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. New Accounting Pronouncements

Summary of Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The implementation of this standard did not have an impact on the Authority's financial statements as of June 30, 2014.

J. Upcoming Accounting and Reporting Changes

Summary of Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (Issued 06/12)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The determination of the impact on the Entity's financial statements from the implementation of this standard is pending as of the issuance date of this report.

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes cash and investments as of June 30, 2014:

Cash and Investments	Cash and Cash Equivalents Available			Investment	
	for Operations	Restricted	Total	Rating	Maturities
Cash Deposits:					
Cash in banks	\$ 601,319	\$ -	\$ 601,319	N/A	N/A
Money market accounts	-	101,600	101,600	N/A	N/A
Petty Cash	1,675	-	1,675	N/A	N/A
Total Cash Deposits	602,994	101,600	704,594		
Investments:					
California Local Agency Investment Fund	-	362,513	362,513	Not Rated	< 1yr
Santa Clara County Pool	32,872,131	-	32,872,131	Not Rated	< 1yr
Wells Fargo Investment Trust	-	203,533	203,533	A-	> 1yr
Wells Fargo Time Deposits	-	100,842	100,842	Not Rated	> 1yr
Total Investments	32,872,131	666,888	33,539,019		
Total Cash and Cash Equivalents	\$ 33,475,125	\$ 768,488	\$ 34,243,613		

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, 2014, the Authority's bank balances exceeded FDIC coverage by \$360,000.

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 maturity date of less than one year.

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

California Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies,

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014 these investments had an average maturity date of less than one year.

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

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The 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 \$4.6 billion and \$64.8 billion, respectively as of June 30, 2014.

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 2013-14 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.

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, is shown below:

Description	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable Capital Assets:				
Land	\$ 55,032,067	\$ 203,476	\$ -	\$ 55,235,543
Construction in progress	142,293	-	(76,942)	65,351
Total non-depreciable capital assets	55,174,360	203,476	(76,942)	55,300,894
Depreciable Capital Assets:				
Land improvements	881,495	404,924	-	1,286,419
Furniture and fixtures	83,954	30,689	-	114,643
Vehicles	279,243	67,084	-	346,327
Less: accumulated depreciation	(685,934)	(122,164)	-	(808,098)
Total depreciable capital assets - net	558,758	380,533	-	939,291
Total capital assets - net	\$ 55,733,118	\$ 584,009	\$ (76,942)	\$ 56,240,185

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - FUNDING PROGRAM LIABILITY

The 20% funding program was established to assist participating jurisdictions with their own 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, 2014 was as follows:

Government Agency	Balance		Project		Balance June 30, 2014
	June 30, 2013	Additions	Completion Distributions		
City of Campbell	\$ 18,051	\$ 4,744	\$ -		\$ 22,795
City of Milpitas	157,569	6,283	-		163,852
City of Morgan Hill	25,057	2,180	-		27,237
City of San Jose	1,450,461	96,549	-		1,547,010
City of Santa Clara	411,157	11,796	-		422,953
Santa Clara County	603,453	6,667	(300,000)		310,120
Total	\$ 2,665,748	\$ 128,219	\$ (300,000)		\$ 2,493,967

NOTE 5 - EMPLOYEE RETIREMENT SYSTEMS

Pension Plan

The Authority's defined benefit pension plan, the California Public Employees Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System (CalPERS), is a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered compensation. The Authority makes these contributions required of Authority employees on their behalf and for their account. The Authority does not participate in Social Security (OASDI) for those employees who participate in CalPERS. The Authority is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year June 30, 2014 was 10.282%. The contribution

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year June 30, 2014, the Authority's annual pension cost of \$139,443 was equal to the Authority's required and actual contributions. The required contribution for the fiscal year June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using entry age normal actuarial cost method with contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% depending on age, service and type of employment; (c) 3.25% overall payroll growth; and (d) an inflation rate of 3.0%. The remaining amortization period at June 30, 2011, was 20 years for miscellaneous as of the valuation date.

The three year trend information for the Authority as of June 30, 2014 was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 123,183	100%	\$ -
June 30, 2013	142,434	100%	-
June 30, 2014	139,443	100%	-

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, 2014, 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, 2014.

Santa Clara County Open Space Authority

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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 30, 2013. On February 28, 2013 the agreement was modified to extend until June 30, 2015. Rent expense for the year ended June 30, 2014 amounted to \$87,978. As of June 30, 2014, the future minimum rental payments required under the Authority's 5-year operating lease was \$90,816 for the fiscal year ended June 30, 2015.

On September 30, 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, 2014 was \$53,125. As of June 30, 2014, the future minimum rental payments required under the Authority's operating lease were as follows:

Fiscal Year Ended June 30,	Amount
2015	\$ 62,400
2016	62,400
2017	15,600
Total minimum lease payments	\$ 140,400

NOTE 8 - 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 County 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, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 4,203,058	\$ 4,203,058	\$ 4,205,669	\$ 2,611
Investment income	130,000	130,000	22,519	(107,481)
Donations	500	500	5,532	5,032
Other revenues	281,900	281,900	155,818	(126,082)
Total revenues	<u>4,615,458</u>	<u>4,615,458</u>	<u>4,389,538</u>	<u>(225,920)</u>
Expenditures:				
Current:				
Administration	3,071,911	3,071,911	2,311,096	760,815
Program	277,235	277,235	367,019	(89,784)
Land management	552,996	552,996	1,736,955	(1,183,959)
Capital outlay	310,000	310,000	598,543	(288,543)
Total expenditures	<u>4,212,142</u>	<u>4,212,142</u>	<u>5,013,613</u>	<u>(801,471)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>403,316</u>	<u>403,316</u>	<u>(624,075)</u>	<u>(1,027,391)</u>
Other financing sources (uses):				
Transfers in	-	-	657,524	657,524
20% funding program	(81,183)	(81,183)	(128,219)	(47,036)
Total other financing sources (uses)	<u>(81,183)</u>	<u>(81,183)</u>	<u>529,305</u>	<u>610,488</u>
Net change in fund balance	<u>322,133</u>	<u>322,133</u>	<u>(94,770)</u>	<u>(416,903)</u>
Fund balance beginning	4,624,106	4,624,106	4,624,106	-
Prior period adjustment	(11,971)	(11,971)	(11,971)	-
Fund balance beginning - adjusted	<u>4,612,135</u>	<u>4,612,135</u>	<u>4,612,135</u>	<u>-</u>
Fund balance ending	<u>\$ 4,934,268</u>	<u>\$ 4,934,268</u>	<u>\$ 4,517,365</u>	<u>\$ (416,903)</u>

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 County 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, 2014, 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 22, 2014.

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 22, 2014
San Jose, California