

Measure AA Bond Oversight Committee



Measure AA Bond Annual Accountability Report

May 11, 2014 – June 30, 2016



Stephen E. Abbors, General Manager
Stefan Jaskulak, Chief Financial Officer

FUNDED BY
MEASURE AA
2014 OPEN SPACE BOND

Table of Contents

Letter from the General Manager	ii
Letter from the Chief Financial Officer	iii
Mission Statement	iv
Measure AA Portfolio Map	v

Section One

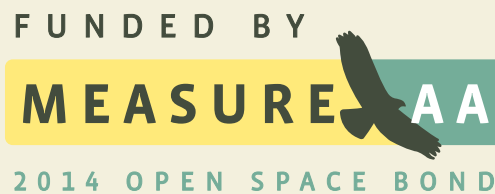
Executive Summary	1
Chart 1: Portfolio Allocation to Expenditure Roll Up	2
Chart 2: Total Portfolio Expenditures by Expenditure Category	2
Chart 3: Portfolio Level Expenditures to Allocations	3
Chart 4: Land Acquisition MAA Expenditures	4
Priority Portfolio Actions, by Region (from MAA Expenditure Plan)	7
Portfolio Expenditure Summary <i>Numerically, by Portfolio Number</i>	14
Financial Report from New World ERP by Project	66

Section Two

Measure AA Ballot Language	
----------------------------	--

Section Three

Annual Financial Audit Report	
-------------------------------	--



Message from the General Manager to the Bond Oversight Committee

When the public passed Measure AA in 2014, they voted for a long-term environmental vision in which the region's spectacular open spaces—its forests, bay lands, ridgelines, and waterways—are preserved in perpetuity, damaged habitat is restored, native plants and animals thrive, and people have access to, and connect with, nature. They entrusted the Midpeninsula Regional Open Space District with that vision based on the District's excellent 42-year performance record as well as a provision in Measure AA that provided for the formation of a new citizen Bond Oversight Committee.

As members of our inaugural Bond Oversight Committee, your service ensures that the highest levels of transparency are maintained and that Measure AA funds are being used as defined in the voter-approved expenditure plan.

Indirectly, but just as importantly, your role ensures that open space performs its many functions that support our region's quality of life. Open space protects scenic beauty and preserves natural habitat. It provides essential life support systems that remove air and water pollution, produce oxygen, and mitigate climate change. It offers opportunities for education, recreation, and renewal of spirit. It establishes boundaries for urban development—creating smart, sustainable growth in our region. And, when there are opportunities to enhance biodiversity, open space can include agricultural lands, which not only improves the environment, but also preserves our region's unique rural heritage.

We believe your review of Measure AA projects will leave you with a new understanding of how the District uses Measure AA bond funds to fulfill the public's vision for open space—a vision that protects, restores, and creates access to our region's incredible natural lands.

As we tell the unabbreviated story of all of our projects, including the often complex processes required to do our work, we are also telling the story of a larger framework to protect and restore the environment on a regional scale and the creation of a model for restoration that can be used elsewhere. As you review the Measure AA fiscal Audit Report we hope you know that your work here supports us in doing the very best job we can of being good stewards of the environment for generations to come.



Stephen E. Abbors

Stephen E. Abbors, General Manager

Message from the Chief Financial Officer to the Bond Oversight Committee

Bond Oversight Committee:

This report is the District's first formal chapter in telling the story of our accomplishments and work related to the passage of Measure AA, and the fulfillment of two key tenets of that legislation: transparency and accountability. The voters put their faith in the District when they approved Measure AA, a \$300 million bond measure to accelerate land acquisition, environmental restoration, and public access. We present this report to you to document our progress as we expend those funds according to plan.

As Committee members, your role was defined and authorized by Board Policy, adopted on August 12, 2015, which states:

The Committee has the following three responsibilities for each of the years the Measure AA general obligation tax is collected or revenues expended:

- Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan
- Review the District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting
- Review any proposed amendments to the Expenditure Plan

The Committee Chair shall report the Committee's findings at a public meeting of the Board of Directors.

The Committee shall not have authority to recommend, advise, or direct any such matters that may fall under its responsibility to review. The Committee is not advisory to the Board of Directors and has no power to determine how General Fund monies are spent. The Board of Directors retains its authority to make such decisions and determinations.

In this historic moment, the inaugural year of the District's Bond Oversight Committee, we anticipate a smooth process as you review the District's Annual Audit and Annual Accountability Report.

We thank you for your time and service to your community and to the health of the environment we all share.



Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan Jaskulak'. The signature is fluid and cursive, written over a white background.

Stefan Jaskulak,
Chief Financial Officer

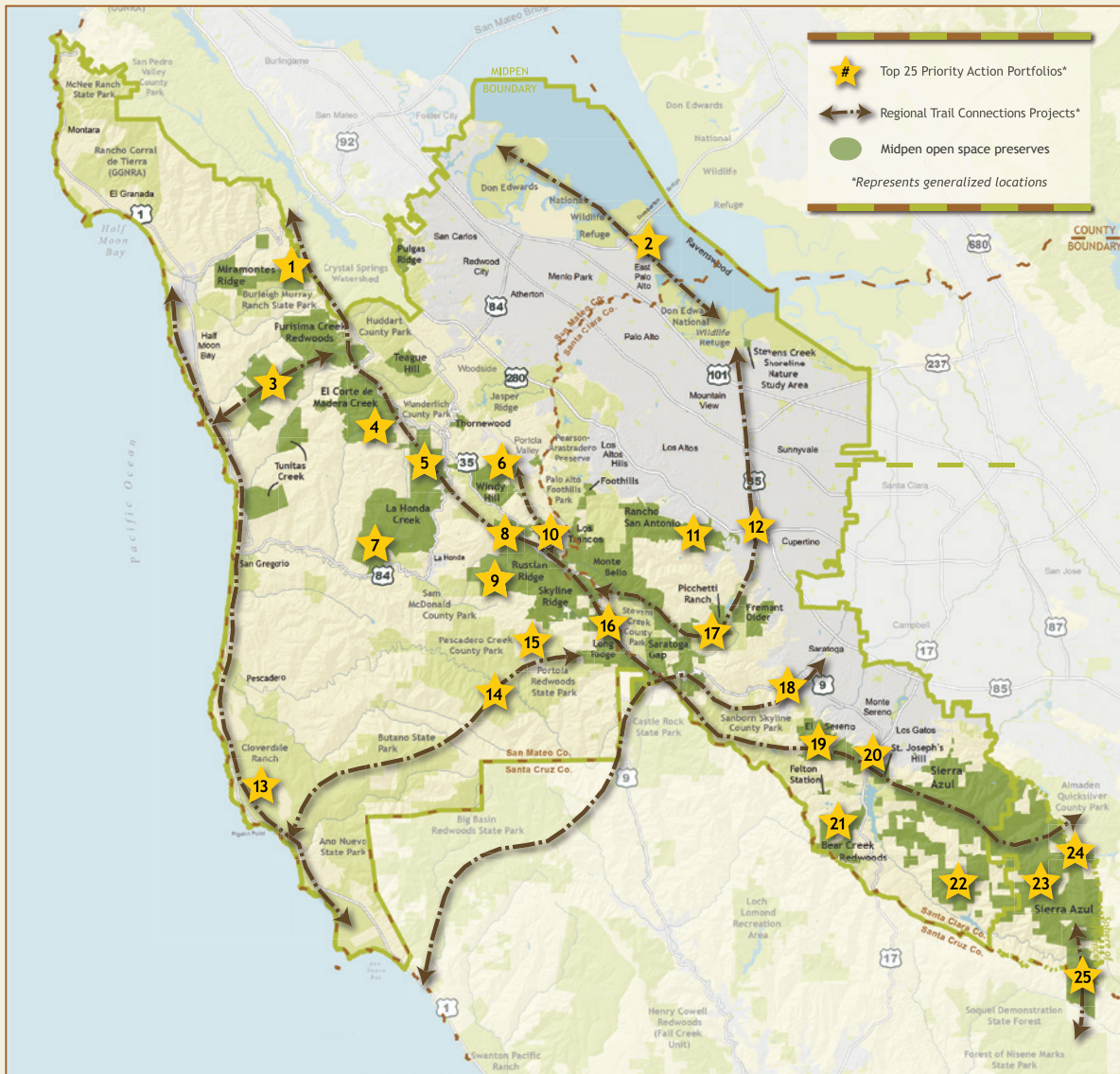
The mission of the Midpeninsula Regional Open Space District is to acquire and preserve a regional greenbelt of open space land in perpetuity, protect and restore the natural environment, and provide opportunities for ecologically sensitive public enjoyment and education.

While implementing the District's overall mission of open space land preservation, resource management, and low-intensity recreation, the District's mission for the Coastal Annexation Area as defined by the Service Plan is:

To acquire and preserve in perpetuity open space land and agricultural land of regional significance, protect and restore the natural environment, preserve rural character, encourage viable agricultural use of land resources, and provide opportunities for ecologically sensitive public enjoyment and education.



Midpeninsula Regional Open Space District Measure AA Portfolio Map



- | | | |
|---|---|---|
| <ol style="list-style-type: none"> 1. Open Miramontes Ridge 2. Build New Bayfront Trails 3. Complete the Purisima-to-the-Sea Trail 4. Build Walking, Hiking and Biking Trails at El Corte de Madera Creek 5. Open Upper La Honda Creek Preserve 6. Develop New Trails at Windy Hill 7. Open Driscoll Ranch Area at La Honda Creek 8. Preserve Upper San Gregorio Creek Watershed 9. Open New Trails at Russian Ridge | <ol style="list-style-type: none"> 10. Re-Open Alpine Road at Coal Creek 11. Build Welcome Center at Rancho San Antonio 12. Complete Middle Stevens Creek Trail 13. Expand Grazing at Cloverdale Coastal Ranch 14. Open New Trails throughout the Redwoods 15. Protect More Redwood Forests 16. Create New Access Facilities at Long Ridge 17. Complete Upper Stevens Creek Trail | <ol style="list-style-type: none"> 18. Complete Saratoga to Sea Trail 19. Open El Sereno Trails to Dogs and Complete Trail Connections 20. Preserve Safe Wildlife Corridors across Hwy. 17 21. Open Bear Creek Redwoods 22. Open Cathedral Oaks at Sierra Azul 23. Open Mount Umunhum at Sierra Azul 24. Open Rancho de Guadalupe at Sierra Azul 25. Open Loma Prieta Area at Sierra Azul |
|---|---|---|



Rancho San Antonio Open Space Preserve by Karl Gohl

Executive Summary

We are pleased to present the Midpeninsula Regional Open Space District's First Annual Measure AA Accountability Report. The timeframe of this report spans from May 11, 2014 – June 30, 2016 and reflects Measure AA expenditures during this time period. The structure of this document is guided by the Measure AA Ballot language, specifically *Priority Portfolio Actions, by Region*, which appears on page 7 of this report.

The Expenditure Plan and the 25 Priority Actions, as well as the Portfolio designations and locations, were the culmination of the Vision Planning effort that began in 2012. The Vision Plan spanned 18 months and was a public visioning process with the goal of informing the strategic direction of the District for the next 40 years. That process yielded a project list of 54 priority actions that then were narrowed to the top 25 Priority Actions for the purposes of the ballot initiative. Measure AA funded the top 25 Priority Actions through their inclusion in the Measure AA Expenditure Plan. This Measure AA Accountability Report is arranged in parallel with the Measure AA Expenditure Plan to facilitate review; projects are grouped in 25 key project portfolios organized by geographic area within the District's boundaries.

No change in portfolio allocation is proposed for this reporting period. In the future, should a shift in portfolio allocations be needed, the Measure AA Bond Oversight Committee will be advised through the Committee communication process for document review as soon as we are certain we are going to need to amend the Expenditure Plan.

Bond Oversight Committee and Nexus with Budget and Action Plan

The Measure AA Bond Oversight Committee's role is specific to reviewing retrospective expenditures, so this Committee is not charged with reviewing the budget or other prospective information, unless it is provided as part of an explanation of a proposed Portfolio Allocation adjustment. That said, there is a synergy between the budgeted and actual expenditures, and the following information is being provided as context for, and insight into, the District's management of Measure AA spending.

Each year the District embarks upon a priority setting and budgeting process with the Board, which begins a 5-6 month planning process. The final Budget and Action Plan is being approved prior to the start of the fiscal year, which begins July 1. Within the Budget and Action Plan document, there is a Measure AA Project Budget Overview which provides a prospective view into the next year's planned spending.

Bond Issuance, Size, and Look-Back

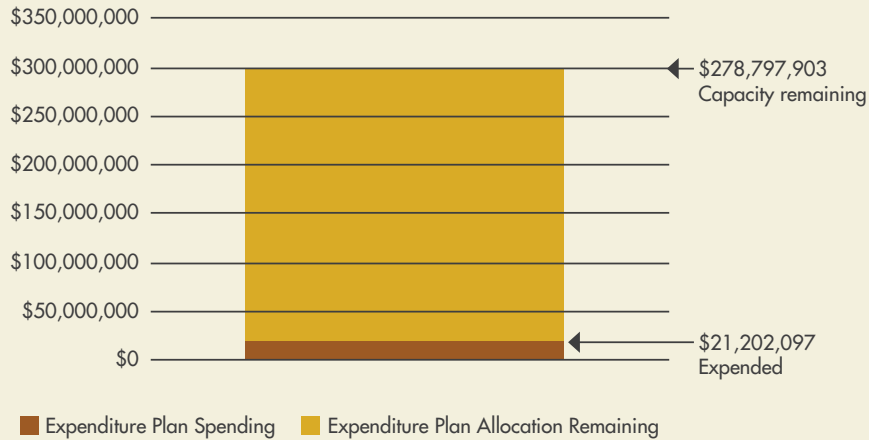
In June 2014, voters approved a \$300 million general obligation bond to be used to protect natural open space lands; open preserves or areas of preserves that are currently closed; construct public access improvements such as new trails and staging areas; and restore and enhance open space land, which includes forests, streams, watersheds, and coastal ranch areas.

The District issued its first tranche of bonds in August 2015 and it was sized at \$45 million to reimburse itself for project expenses planned for approximately the next two years, as well as the legally permitted look-back period of 60 days prior to the Board's Certification of election results. Therefore, this Measure AA Accountability Report for this year includes expenses from May 11, 2014 – June 30, 2016. Future reports will run with the fiscal year.

Portfolio Allocations and Expenditures

The chart below depicts a roll-up of how much of the Total Measure AA Expenditure Plan Allocation has been used on a life-to-date basis.

Portfolio Allocation to Expenditure Roll Up



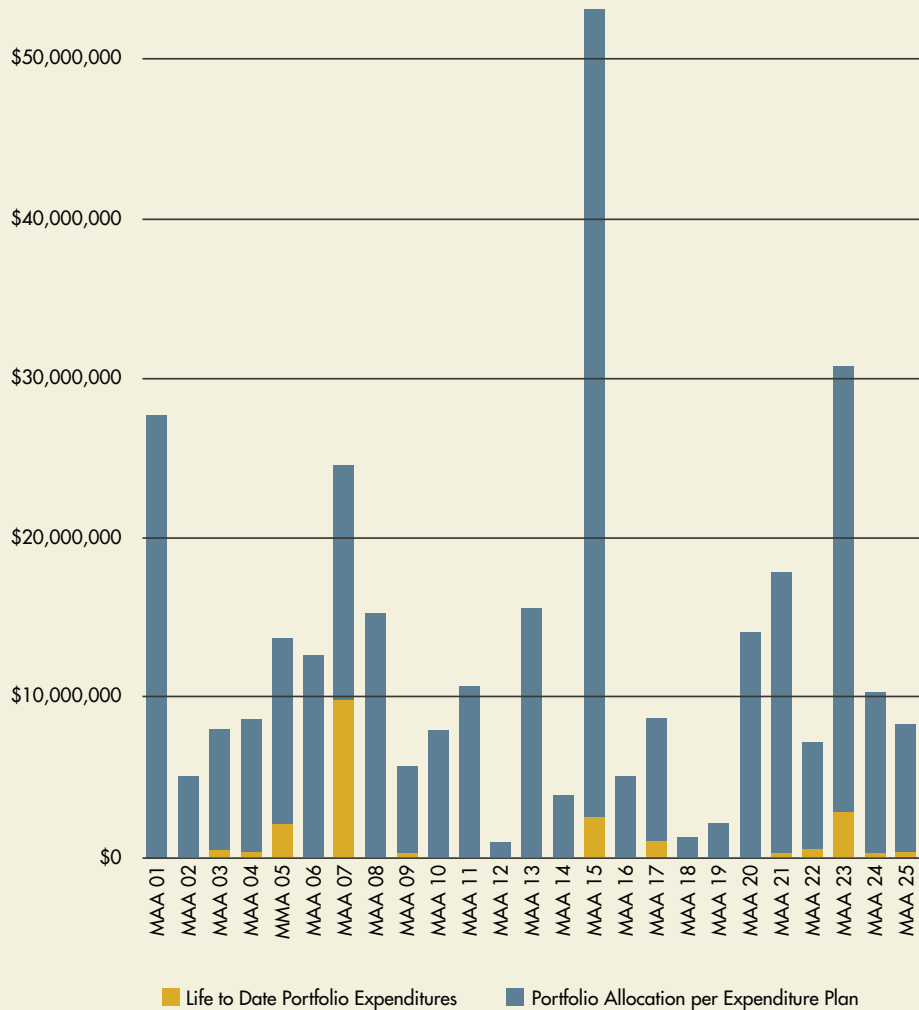
The following breakdown provides an order of magnitude insight into the amounts expended based on the portfolio number and size category. It also shows those portfolios where projects have not been funded by Measure AA, such that the Bond Oversight Committee does not have expenses to review for those portfolios, and the Bond Oversight Committee can focus their efforts in the most relevant portfolios. Portfolio names are referenced in the next section starting with page 16.

TOTAL PORTFOLIO EXPENDITURES BY EXPENDITURE CATEGORY							
NO ACTIVITY/NO MONEY SPENT	>\$1- <\$1,000	>\$1,000 <\$10K	>\$10K <\$100K	>\$100K <\$1M	>\$1M <\$2M	>2M <\$5M	>\$5M
6	11	1	2	3	17	5	7
8	19		20	4		15	
10				9		23	
12				21			
13				22			
14				24			
16				25			
18							

*Numbers in the table above represent the portfolio numbers.

The following chart shows the Expenditure Plan allocations broken down to the portfolio level with the life to date expenditures for each portfolio. The purpose of this chart is to show an order of magnitude between the Portfolio Allocations that were approved in the Expenditure Plan and the relative expenditures in the portfolio that have been made, life-to-date. For a more detailed look at this, please reference the Financial Report on page 66, which contains actual expenditure numbers and remaining allocation. This view will become relevant in the future if an allocation shift is recommended, but this is not being proposed at this time.

Portfolio Level Expenditures to Allocations



Spending Trends

As of June 30, 2016, an estimated \$21million MAA funds have been expended. The key spending trend for this reporting period is the land and associated costs. Of the \$21 million expended in this reporting period, \$17 million was related to Land Acquisition and Related Expenses, which represents 81% of all spending. A chart containing a breakdown of the Portfolios with Land Acquisition costs follows:

Land Acquisition MAA Expenditures (May 11, 2014–June 30, 2016)

PORTFOLIOS WITH LAND ACQUISITION EXPENSES	LAND PURCHASE AND ASSOCIATED COSTS	PURPOSE	NOTES
1	\$6,315	Potential Property Purchase	Preliminary surveying of property. Opportunity to purchase the land for conservation purposes has not yet been realized
2	\$97,437	SFPUC Easement at Ravenswood Trail	Easement property right
3	\$382,288	Riggs Property Purchase	Includes lot line adjustment
5	\$1,756,093	Toepfer and Ashworth Property Purchases	Land conservation purchases
7	\$9,008,773	Apple Orchard and Events Center property and Cunha Property Purchases	Land conservation purchases
15	\$2,495,713	POST/Alpine Ranch Easement	Easement property right
17	\$754,552	Lysons Property Purchase	Property Expense equals Purchase Price minus grant income of \$740,000
22	\$540,587	Freudenberg Land Purchase	Land conservation purchase
23	\$1,264,084	Property Purchase	Meyer Property Purchase and associated costs
24	\$300,056	Barth Property Purchase	Land conservation purchase
25	\$410,150	Burton Property Purchase	Land conservation purchase
Total Land Acquisition MAA Expenditures	\$17,096,048		



Monte Bello Open Space Preserve by Karl Gohl

Anticipated Future Trends

The Bond Oversight Committee primarily reviews expenses that have been realized retrospectively. That said, the following section provides a high-level glimpse of the District trajectory, related to anticipated expenditures based on the approved FY Budget and Action Plan as well as operational workload. This is being provided for contextual purposes and to demonstrate the managed progress the District is making toward MAA Projects.

Next year's report, which will cover Fiscal Year 2016–2017, will include the third year of MAA funding. As of the close of the next reporting period, it is estimated, based on the Approved FY 2016–2017 Budget that the planned life to date spending will exceed \$38 million, or approximately 12% of the \$300 million bonding capacity authorized under Measure AA.

The District anticipates that the Portfolio expenditures for the next year will increase as there was significant progress on the Mount Umunhum project during the summer of 2016 construction season, and those large expenses will be realized in the following reporting period (June 1, 2016 –June 30, 2017), in addition to other expenses that occurred during the summer construction season.

Since the Engineering and Construction Department became fully staffed in Spring of 2016, the work they did during the summer construction season at Mount Umunhum and in other preserves increased at a faster pace than in prior years, so construction-related expenses are anticipated to increase commensurately over the next year.

The Planning Department also has made significant progress in El Sereno, La Honda, and Bear Creek Redwoods, and although the expenses for those preserves were considered planning feasibility and paid for through other funding sources, it is expected that MAA eligible expenses may start to come in to support MAA Portfolio projects in those preserves, and others in the planning phases.

Finally, Portfolio allocations include estimated land acquisition costs. Since purchases are primarily opportunity-driven, these are estimates not tied to a specific time frame, and we do not know when the properties and/or rights will be available for purchase. The Real Property Department has been actively pursuing targeted opportunities for land purchases as well as the purchase of property rights and easements, and it is anticipated that those expenses may be realized into the future, when the opportunity becomes available.



Windy Hill Open Space Preserve by Deane Little

Priority Portfolio Actions, by Region

(From the Measure AA Expenditure Plan)

South Bay Foothills

(Los Gatos, Monte Sereno, Saratoga, and Santa Cruz Mountains)

Portfolio 18: South Bay Foothills – Saratoga to Sea Trail and Wildlife Corridor

- Protect wildlife corridor along Highway 9
- Connect trail to Saratoga to Sea Trail and Skyline-to-the-Sea Trail
- Portfolio Allocation: \$1,365,000

Portfolio 19: El Sereno – Dog Trails and Connections

- Provide infrastructure to open trails to dogs
- Develop connections to Skyline, Sanborn County Park, and Lexington Reservoir
- Portfolio Allocation: \$2,254,000

Portfolio 20: South Bay Foothills – Wildlife Passage and Ridge Trail Improvements

- Establish safe corridors for mountain lions across Highway 17
- Establish Bay Area Ridge Trail crossing
- Portfolio Allocation: \$13,966,000

Portfolio 21: Bear Creek Redwoods – Public Recreation and Interpretive Projects

- Open for hiking, equestrian activities
- Provide parking areas, trails, upgrade stables
- Restore and protect habitats for various species
- Repair roads and trails to reduce sediment
- Rehabilitate Alma College site
- Portfolio Allocation: \$17,478,000

Portfolio 22: Sierra Azul – Cathedral Oaks Public Access and Conservation Projects

- Develop multi-use trail and plan future trails as land is available
- Develop parking
- Restore plant communities and soils
- Install trailside amenities
- Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed
- Portfolio Allocation: \$6,714,000

Portfolio 23: Sierra Azul – Mount Umunhum Public Access and Interpretive Projects

- Open Mount Umunhum for multi-use public access to summit via road and trail
- Open Bay Area Ridge Trail and nearby trail connections
- Preserve additional open space and complete wildlife corridor
- Portfolio Allocation: \$27,972,000

Portfolio 24: Sierra Azul – Rancho de Guadalupe Family Recreation

- Open Rancho de Guadalupe to public access
- Develop accessible multi-use trails with amenities such as parking and family recreation
- Restore habitat for rare species
- Protect cultural and natural resources
- Portfolio Allocation: \$10,078,000

Portfolio 25: Sierra Azul – Loma Prieta Area Public Access, Regional Trails, and Habitat Projects

- Provide public access and recreation, including small campground
- Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to the east, and to Mount Umunhum
- Protect Steelhead habitat, rare plants and grasslands, and restore Knob Cone Pine Stands
- Portfolio Allocation: \$7,986,000



Sierra Azul Open Space Preserve by Jack Gescheidt

Peninsula Foothills and Bay

(Cupertino, Los Altos, Los Altos Hills, Sunnyvale, Mountain View, Palo Alto, East Palo Alto, Menlo Park, Atherton, Redwood City, San Carlos, Woodside, Portola Valley, Skyline)

Portfolio 2: Regional – Bayfront Habitat Protection and Public Access Partnerships

- Partner to complete gaps in Bay Trail and develop city-to-bay trails
- Support wetland restoration and associated interpretive facilities
- Preserve additional Bayfront open space
- Portfolio Allocation: \$5,052,000

Portfolio 4: El Corte de Madera Creek – Bike Trail and Water Quality Projects

- Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area
- Restore damaged trails to improve water quality
- Preserve additional open space as available
- Portfolio Allocation: \$8,376,000

Portfolio 5: La Honda Creek – Upper Area Recreation, Habitat Restoration, and Conservation Grazing Projects

- Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas
- Provide loop and connector trails
- Restore habitat for rare species
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Portfolio Allocation: \$11,733,000

Portfolio 6: Windy Hill – Trail Improvements, Preservation, and Hawthorns Area Historic Partnership

- Improve trails, complete pond facilities
- Increase multi-use trails, study possible improvements to increase dog use
- Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails
- Partner to protect, restore, and interpret historic buildings
- Improve habitat conditions in Los Trancos Creek
- Preserve additional scenic open space as available
- Portfolio Allocation: \$12,740,000

Portfolio 8: La Honda Creek and Russian Ridge – Preservation of Upper San Gregorio Watershed and Ridge Trail Completion

- Preserve Upper San Gregorio watershed; restore endangered species habitats
- Support opportunities to provide additional water for fisheries
- Complete Bay Area Ridge Trail multi-use connections and gaps
- Provide additional public use facilities
- Portfolio Allocation: \$15,347,000

Portfolio 9: Russian Ridge – Public Recreation, Grazing, and Wildlife Protection Projects

- Open currently closed areas of preserve
- Construct and extend trails
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs
- Portfolio Allocation: \$5,560,000

Portfolio 10: Coal Creek – Reopen Alpine Road for Trail Use

- Reopen Alpine Road as trail connection between Portola Valley and Skyline Boulevard
- Reroute trails to reduce erosion and improve visitor experience
- Portfolio Allocation: \$8,017,000

Portfolio 11: Rancho San Antonio – Interpretive Improvements, Refurbishing, and Transit Solutions

- Add welcome center
- Refurbish and add interpretive exhibits to Deer Hollow Farm
- Support of transit improvement options such as bike trails, bike share station, bus service, or additional parking
- Portfolio Allocation: \$10,811,000

Portfolio 12: Peninsula and South Bay Cities – Partner to Complete Middle Stevens Creek Trail

- Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections
- Support work by partners to complete stream corridor restoration and Steelhead habitat enhancement below dam
- Develop and install interpretive signage
- Portfolio Allocation: \$1,038,000

Portfolio 16: Long Ridge – Trail, Conservation, and Habitat Restoration Projects (Saratoga)

- Improve roadside parking and provide restrooms
- Develop new trail connections to Eagle Rock and Devils Canyon
- Repair trails for year-round, multi-use access
- Protect watersheds for Steelhead
- Preserve additional open space as available
- Implement pond and habitat enhancement restoration projects to benefit rare species
- Portfolio Allocation: \$5,140,000

Portfolio 17: Regional – Complete Upper Stevens Creek Trail

- Complete multi-use connection between the Bay Trail and Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve and Lower/Upper Stevens Creek County Parks
- Improve Preserve trails and neighborhood connections
- Preserve additional open space as available
- Portfolio Allocation: \$7,760,000



Long Ridge Open Space Preserve by Greg Lewis

Coast

(Half Moon Bay, San Gregorio, Pescadero, La Honda)

Portfolio 1: Miramontes Ridge – Gateway to the Coast Public Access, Stream Restoration, and Agriculture Enhancement

- Preserve scenic open space land as available, and establish wildlife corridor
- Restore fish and red-legged frog habitats in Madonna Creek watershed
- Partner to enhance water availability for agriculture and fish
- Develop trail loop system, including Ridge Trail and neighborhood access points
- Develop staging area, repair bridges
- Portfolio Allocation: \$27,774,000

Portfolio 3: Purisima Creek Redwoods – Purisima-to-the-Sea Trail, Watershed Protection, and Conservation Grazing

- Complete and open multi-use Purisima-to-the-Sea Trail connection between Ridge Trail and Coastal Trail, and new parking areas
- Preserve additional open space as available
- Remove fish barriers and restore Lobitos Creek
- Restore ponds for endangered species
- Portfolio Allocation: \$7,608,000

Portfolio 7: La Honda Creek – Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing

- Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays
- Develop loop and connector trails
- Restore habitat for endangered species
- Restore La Honda Creek; remove fish migration barriers
- Portfolio Allocation: \$14,825,000

Portfolio 13: Cloverdale Ranch – Wildlife Protection, Grazing, and Trail Connections

- Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands
- Restore habitat for endangered species
- Provide trail connections to nearby state parks
- Portfolio Allocation: \$15,712,000

Portfolio 14: Regional – Trail Connections and Campgrounds

- Develop trails between Butano, Pescadero County Park, Russian Ridge, and between Skyline and Portola Redwoods, and Big Basin State Park
- Partner with county and state parks to improve existing campgrounds
- Portfolio Allocation: \$3,966,000

Portfolio 15: Regional – Redwood Protection and Salmon Fishery Conservation

- Preserve additional open space as available
- Protect and enhance redwood stands, mountain scenery, various habitats, and Steelhead salmon
- Portfolio Allocation: \$50,728,000



Russian Ridge Open Space Preserve by Deane Little

Portfolio Expenditures

Numerically, by Portfolio Number



Skyline Ridge Open Space Preserve by Midpen Staff

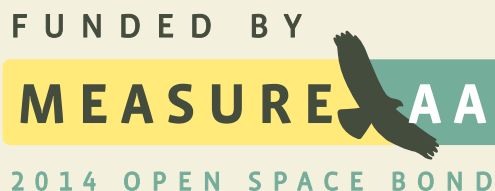
Preface

The Portfolio Expenditure Summary includes a description of each of the 25 MAA Portfolio projects, which was included in the Measure AA ballot language, under the Expenditure Plan section. Included within each Portfolio Description is the Portfolio Allocation, which also was designated in the Expenditure Plan. This bond funding allocation may be shifted if needed following the Board of Director's approval, however, for this reporting period, no deviation from the original Expenditure Plan is proposed.

The Portfolio Expenditures listed in the Description section represent all project costs, which have been deemed eligible for Measure AA reimbursement from inception through June 30, 2016. These numbers tie to the numbers in Section 3, Annual Audit, page 56, Measure AA Bond Program Schedule of Program Expenditures.

Portfolios that have no incurred expenditures are included in this report to keep the continuity of the report from year to year.

Additional contextual information is included in the Notable Accomplishments, Project Challenges, and Potential Next Steps, as well as the Tables and Charts associated with each Portfolio. Though the Bond Oversight Committee review is focused on actual expenditures, additional narrative information has been included to help provide a sense of the projects, the nexus with non-MAA work or partner work, and general status. The tables and charts restate information gleaned from the District's accounting system and provide another graphical way to view the expenditures. Finally, where available, we have included actual photographs of the preserves in which the Portfolio projects occur as a visual reference.





Miramontes Ridge Open Space Preserve by Robert Buelteman

Portfolio 1: Miramontes Ridge—Gateway to the Coast Public Access, Stream Restoration, and Agriculture Enhancement

Description

- Preserve scenic open space land as available, and establish wildlife corridor
- Restore fish and red-legged frog habitats in Madonna Creek watershed
- Partner to enhance water availability for agriculture and fish
- Develop trail loop system, including Ridge Trail and neighborhood access points
- Develop staging area, repair bridges
- Portfolio Allocation: \$27,774,000
- Portfolio Expenditures through 6/30/2016: \$6,315

Notable Accomplishments

- Expenditures related to land acquisition activities

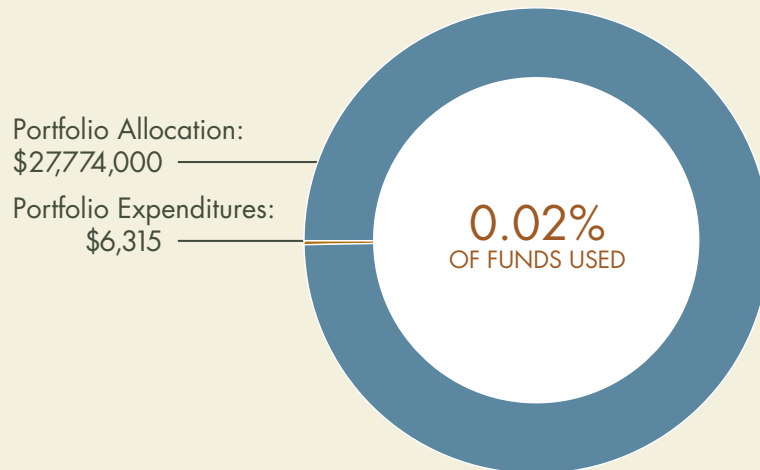
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- Continue pursuing a potential new property purchase

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
01	Miramontes Ridge: Gateway to Coast Public Access, Stream Restoration and Agriculture Enhancement Gateway to San Mateo Coast				
	01-003 Potential Property Purchase		\$6,315		
	Subtotal	\$27,774,000	\$6,315	\$27,767,685	0.02%





Ravenswood Open Space Preserve by John Green

Portfolio 2: Regional—Bayfront Habitat Protection and Public Access Partnerships

Description

- Partner to complete gaps in Bay Trail and develop city-to-bay trails
- Support wetland restoration and associated interpretive facilities
- Preserve additional Bayfront open space
- Portfolio Allocation: \$5,052,000
- Portfolio Expenditures through 6/30/2016: \$97,437

Notable Accomplishments

- With consultant assistance, worked closely with the San Francisco Public Utilities Commission (SFPUC) to identify a mutually agreeable easement corridor and trail alignment to connect the public between University Avenue and Ravenswood Open Space Preserve in East Palo Alto
- Prepared the CEQA documentation for both the easement transfer and for construction of the new trail connection
- Prepared the conceptual design plans for the new Bay Trail connection

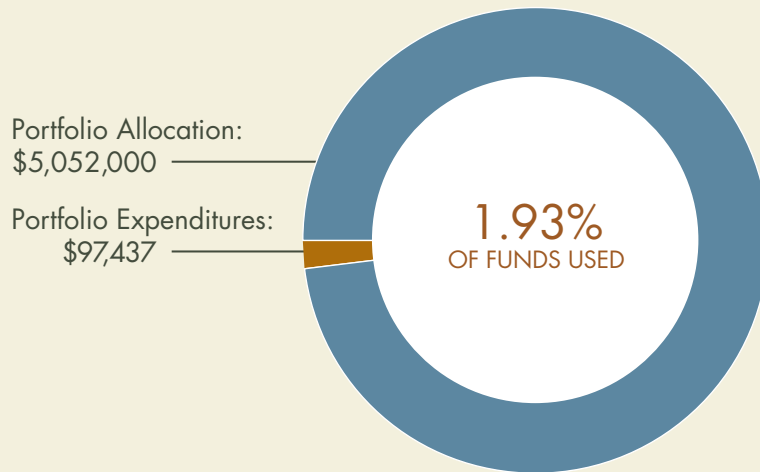
Project Challenges

- Requires extensive, multiple agency coordination, and permits, including coordination between cities, Association of Bay Area Governments (ABAG), San Francisco Public Utilities Commission (SFPUC) and other governmental and regulatory entities

Potential Next Steps

- Complete the CEQA review process
- Secure Midpen and SFPUC approvals for the easement exchange
- Initiate more detailed schematic designs for the new trail

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
02	Regional: Bayfront Habitat Protection and Public Access Partnership Habitat Protection and Public Access				
	02-002 Easement SFPUC Ravenswood Trail		\$97,437		
	Subtotal	\$5,052,000	\$97,437	\$4,954,563	1.93%





Purisima Creek Redwoods Open Space Preserve by Sandy Sommer

Portfolio 3: Purisima Creek Redwoods—Purisima-to-the-Sea Trail, Watershed Protection and Conservation Grazing

Description

- Complete and open multi-use Purisima-to-the-Sea Trail connection between Ridge Trail and Coastal Trail, and new parking areas
- Preserve additional open space as available
- Remove fish barriers and restore Lobitos Creek
- Restore ponds for endangered species
- Portfolio Allocation: \$7,608,000
- Portfolio Expenditures through 6/30/2016: \$503,968

Notable Accomplishments

- Finalized the Harkins Bridge design and submitted the permit application
- Completed preliminary feasibility studies for a new trail alignment and parking lot
- Purchased the 40.2 acre former Riggs Property, helping to protect the Lobitos Creek Watershed, which provides spawning habitat for Coho salmon and Steelhead
- Prepared maps and legal descriptions for a lot line adjustment application to San Mateo County to transfer the 241-acre Purisima Uplands property to Midpen to help complete the Purisima-to-the-Sea Trail
- Completed the lot line adjustment application to be ready to submit to the County

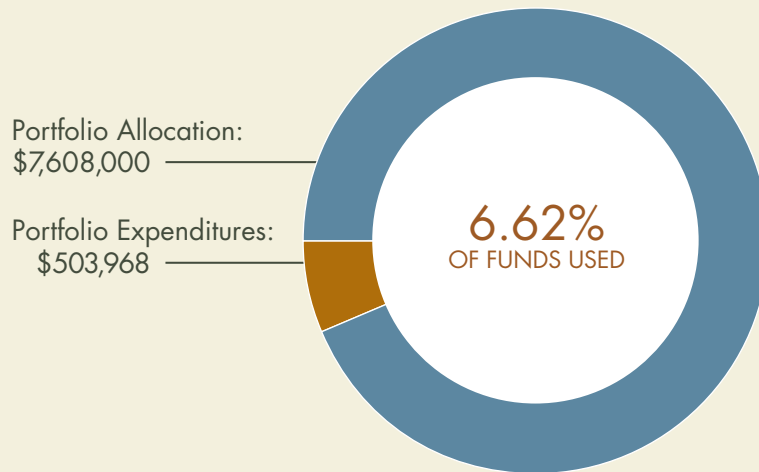
Project Challenges

- Securing the Army Corps permit for Harkins Bridge Project has experienced significant delays due in part to insufficient staffing capacity with the Army Corps. Permit review is expected to begin in earnest by December

Potential Next Steps

- Secure all necessary permits and issue a Request for Bid for the Harkins Bridge Project and the Purisima uplands lot line adjustment application to San Mateo County

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
03	Purisima Creek Redwoods: Purisima-to-the-Sea Trail, Watershed Protection, and Conservation Grazing				
	03-001 Lot Line Adjustment/Riggs Property Purchase		\$382,288		
	03-004 Harkins Bridge Replacement		\$121,680		
	Subtotal	\$7,608,000	\$503,968	7,104,032	6.62%





El Corte de Madera Creek Open Space Preserve by Karl Gohl

Portfolio 4: El Corte de Madera Creek— Bike trail and Water Quality Projects

Description

- Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area
- Restore damaged trails to improve water quality
- Preserve additional open space as available
- Portfolio Allocation: \$8,376,000
- Portfolio Expenditures through 6/30/2016: \$358,121

Notable Accomplishments

- Received permits and constructed the first phase of the Oljon Trail
- Finalized construction plans for the second phase of the Oljon Trail and submitted the construction permit application to San Mateo County
- Completion of Watershed Protection Program final phase

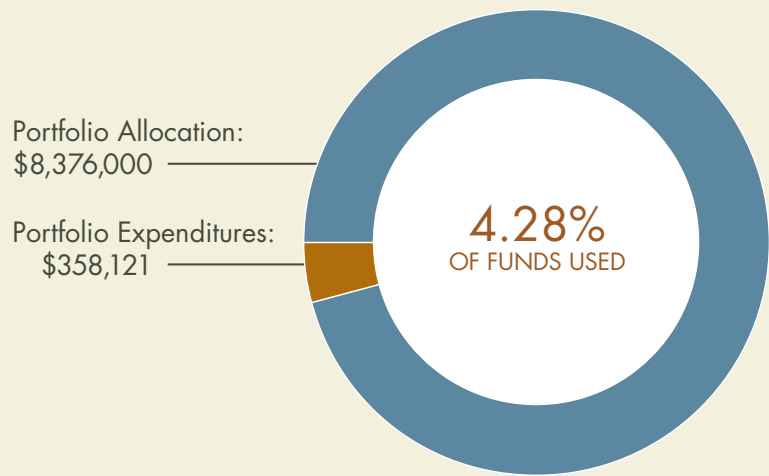
Project Challenges

- Securing the necessary California Department of Fish and Wildlife (CDFW) permit for the next phase of trail work may result in construction delays

Potential Next Steps

- Submit the CDFW permit application and secure the permit to construct Phase 2
- Initiate construction of the Phase 2 Oljon Trail segment

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
04	El Corte de Madera Creek: Bike Trail and Water Quality Projects				
	04-002 ECdM Watershed Protection Final Phase		\$247,563		
	04-003 ECdM Watershed Protection Reassessment		\$83,956		
	04-004 Oljon Trail		\$26,602		
	Subtotal	\$8,376,000	\$358,121	\$8,017,879	4.28%





La Honda Creek Open Space Preserve by Randy Weber

Portfolio 5: La Honda Creek—Upper Area Recreation, Habitat Restoration, and Conservation Grazing Projects

Description

- Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas
- Provide loop and connector trails
- Restore habitat for rare species
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Portfolio Allocation: \$11,733,000
- Portfolio Expenditures through 6/30/2016: \$2,071,424

Notable Accomplishments

- Demolition and site cleanup of two dilapidated structures
- Began the Red Barn Site Plan, including conducting traffic counts, site evaluations of a new driveway for a new parking lot, and the evaluation of historic features to ensure new improvements do not impact the historic landscape of the site
- Purchased the 38.14-acre former Toepfer Property to facilitate a future Ridge Trail extension opportunity between La Honda Creek OSP (LHC) and El Corte de Madera Creek OSP (ECdM)
- Purchased the 5-acre former Ashworth Property to facilitate a future Ridge Trail extension opportunity between LHC and ECdM
- New grazing infrastructure around the Red Barn area, riparian protection fencing to resume conservation grazing, 26,000 feet of pipe and 23 new water troughs installed at McDonald and Driscoll Ranches

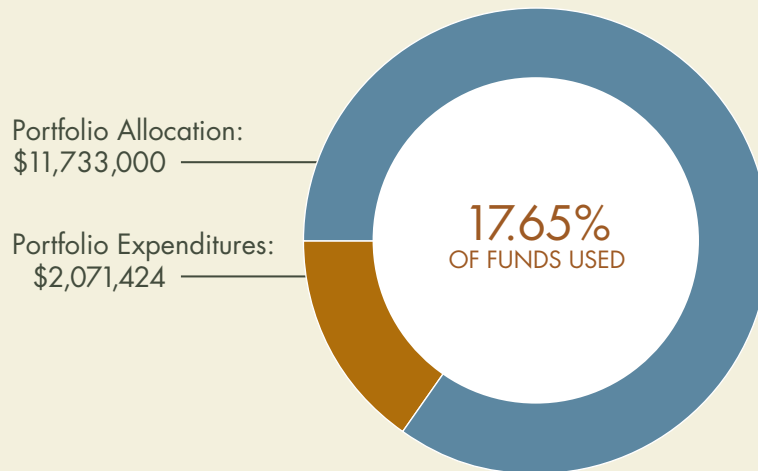
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- Finalize the Red Barn Site Plan, conduct CEQA review, and forward to the Board for approval

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED	
05	La Honda Creek: Upper Recreation Area, Habitat Restoration and Conservation Grazing Projects					
	05-001 Land Conservation		\$1,756,093			
	05-002 Grazing/Water Systems Infrastructure		\$209,765			
	05-004 Sears Ranch Interim Parking		\$5,074			
	05-005 Red Barn Parking Area		\$13,562			
	05-006 Sears Ranch Road Repair		\$86,930			
	Subtotal		\$11,733,000	\$2,071,424	\$9,661,576	17.65%





Windy Hill Open Space Preserve by Karl Gohl

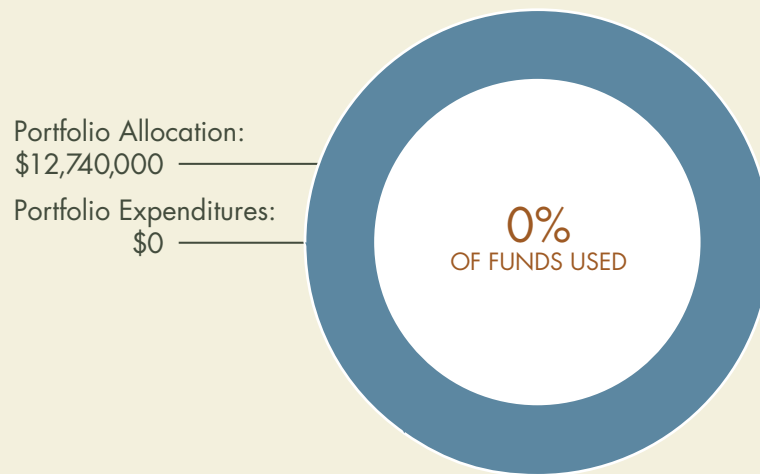
Portfolio 6: Windy Hill—Trail Improvements, Preservation, and Hawthorns Area Historic Partnership

Description

- Improve trails, complete pond facilities
- Increase multi-use trails, study possible improvements to increase dog use
- Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails
- Partner to protect, restore, and interpret historic buildings
- Improve habitat conditions in Los Trancos Creek
- Preserve additional scenic open space as available
- Portfolio Allocation: \$12,740,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
06	Windy Hill: Implementation, Preservation and Hawthorns Area Historic Partnership				
	Subtotal	\$12,740,000	0	\$12,740,000	0.00%



Portfolio 7: La Honda Creek—Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing

Description

- Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays
- Develop loop and connector trails
- Restore habitat for endangered species
- Restore La Honda Creek; remove fish migration barriers
- Portfolio Allocation: \$14,825,000
- Portfolio Expenditure through 6/30/2016: \$9,834,870

Notable Accomplishments

- Completed a second phase of repairs to Sears Ranch Road, including culvert replacements, to prepare the road for public use and improve access for the grazing tenant and for ongoing patrol and maintenance needs
- Completed the design and solicited bids for a third phase of repairs to Sears Ranch Road
- Began design of the Sears Ranch Parking Lot and the related traffic analysis for the new parking lot
- Apple Orchard road repair and culvert replacement
- Purchased the 30-acre former Cunha Trust Property at the end of Sears Ranch Road to consolidate District ownership of the private road that will serve as the driveway entrance into the new Sears Ranch Parking Lot
- Completed the reconstruction of one pond (DR5) to enhance breeding habitat for the California Red-Legged Frog and improve the water source as a cattle stock pond
- Completed road improvements to address erosion issues for the La Honda Creek Watershed Protection Project/Driscoll Ranch Roads Sediment Reduction project and remediation of hazardous waste
- Purchased the 307.64-acre former POST Apple Orchard and Event Center as well as a 3-acre parcel from POST in the San Gregorio Creek properties for the purpose of protecting and further restoring redwood habitat along San Gregorio Creek and habitat for Coho Salmon and Steelhead

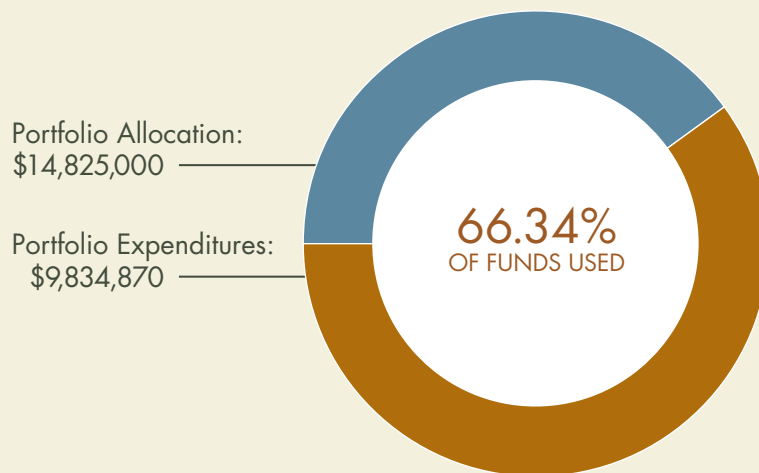
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- Complete a third phase of repairs to Sears Ranch Road
- Complete the construction plans for the Sears Ranch Parking Lot and submit and secure a permit application with San Mateo County

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED	
07	La Honda Creek: Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing					
	07-001 Apple Orchard/Event Center Purchase		\$6,008,068			
	07-002 Fisheries Restoration Design/Permitting <i>Less: 07-002 Grant Income</i>		\$727,716 (\$230,970)			
	07-004 Fisheries Enhancement Event Center		\$20,000			
	07-005 Pond DR05 Repair/Restore		\$150,682			
	07-006 Cunha Land Purchase		\$3,080,705			
	07-007 Wool House Demolitions		\$38,606			
	07-009 Sears Ranch Parking Area		\$37,499			
	07-010 Sears Ranch Road Repair		\$2,564			
	Subtotal		\$14,825,000	\$9,834,870	\$4,990,130	66.34%





San Gregorio Creek Watershed by Deane Little

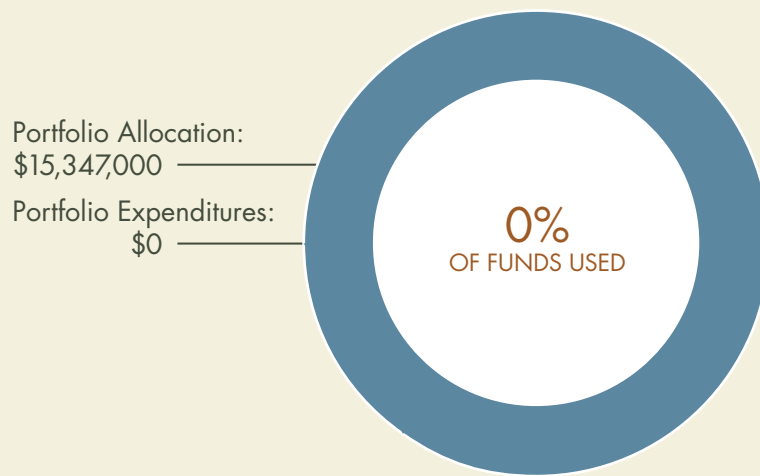
Portfolio 8: La Honda Creek/Russian Ridge—Preservation of Upper San Gregorio Watershed and Ridge Trail Completion

Description

- Preserve Upper San Gregorio watershed; restore endangered species habitats
- Support opportunities to provide additional water for fisheries
- Complete Bay Area Ridge Trail multi-use connections and gaps
- Provide additional public use facilities
- Portfolio Allocation: \$15,347,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
08	La Honda Creek/ Russian Ridge: Preservation of Upper San Gregorio Watershed and Ridge Trail				
	Subtotal	\$15,347,000	0	\$15,347,000	0.00%





Russian Ridge Open Space Preserve by Erica Simmons

Portfolio 9: Russian Ridge—Public Recreation, Grazing, and Wildlife Protection Projects

Description

- Open currently closed areas of preserve
- Construct and extend trails
- Improve fencing, corrals, and water systems to reintroduce conservation grazing
- Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs
- Portfolio Allocation: \$5,560,000
- Portfolio Expenditures through 6/30/2016: \$236,185

Notable Accomplishments

- Opened the new Mindego Gateway Parking Area
- Constructed and opened an extension of Mindego Hill Trail to the top of the prominent Mindego Hill; two bridges and two puncheons which are a part of the Ancient Oaks Trail
- New corral and water system upgrades at Mindego ranch, including two 5,000 gallon water storage tanks, 11,000 feet of buried pipe, six water troughs, and solar-powered water pump for storage tanks. Selected grazing tenant
- Remediation of Mindego Ranch area
- Non-MAA support work: Entered into an MOU with CDFW for the recovery of the San Francisco garter snake to streamline the construction of facilities in the Mindego Area

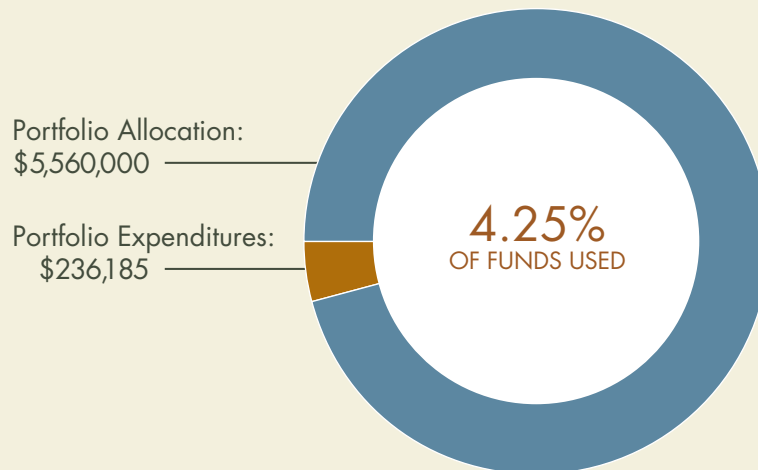
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No potential next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
09	Russian Ridge: Public Recreation, Grazing, and Wildlife Protection Projects				
	09-001 Mindego Grazing Infrastructure		\$169,078		
	09-004 Mindego Hill Trail		\$67,107		
	Subtotal	\$5,560,000	\$236,185	\$5,323,815	4.25%



Mindego Hill Trail, Russian Ridge Open Space Preserve by Midpen Staff



Coal Creek Open Space Preserve by Jack Gescheidt

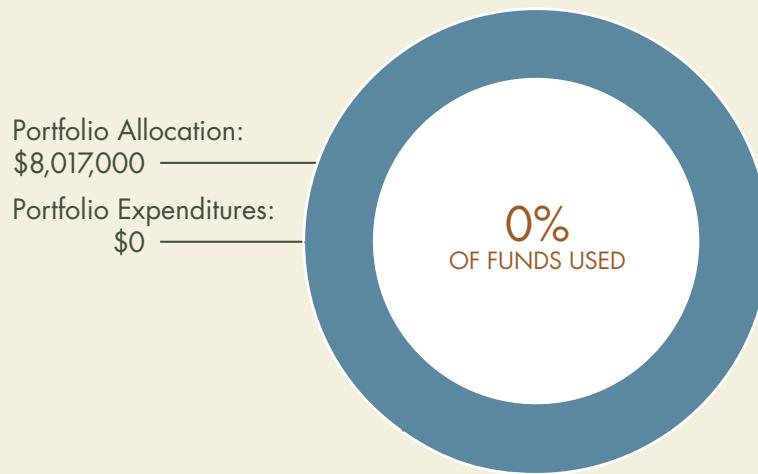
Portfolio 10: Coal Creek—Reopen Alpine Road for Trail Use

Description

- Reopen Alpine Road as trail connection between Portola Valley and Skyline Boulevard
- Reroute trails to reduce erosion and improve visitor experience
- Portfolio Allocation: \$8,017,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
10	Coal Creek: Reopen Alpine Road for Trail Use				
	Subtotal	\$8,017,000	\$0	\$8,017,000	0.00%





Rancho San Antonio Open Space Preserve by Karl Gohl

Portfolio 11: Rancho San Antonio— Interpretive Improvements, Refurbishing, and Transit Solutions

Description

- Add welcome center
- Refurbish and add interpretive exhibits to Deer Hollow Farm
- Support of transit improvement options such as bike trails, bike share station, bus service, or additional parking
- Portfolio Allocation: \$10,811,000
- Portfolio Expenditures through 6/30/2016: \$728

Notable Accomplishments

- Most work accomplished in Rancho San Antonio has an alternative funding source

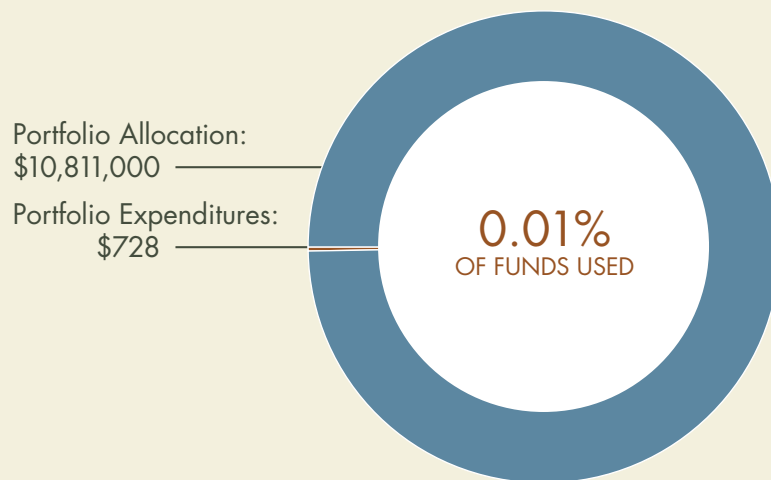
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No potential next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
11	Rancho San Antonio: Interpretive Improvements, Refurbishment and Transit Solutions				
	Subtotal	\$10,811,000	\$728	\$10,811,000	0.01%





Stevens Creek Trail by Don Debold

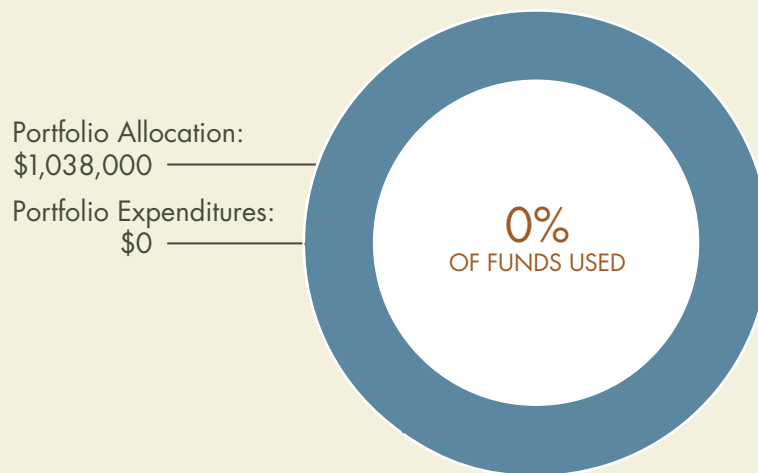
Portfolio 12: Peninsula/South Bay Cities—Partner to Complete Middle Stevens Creek Trail

Description

- Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections
- Support work by partners to complete stream corridor restoration and Steelhead habitat enhancement below dam
- Develop and install interpretive signage
- Portfolio Allocation: \$1,038,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
12	Peninsula/South Bay Cities: Partner to Complete Middle Stevens Creek Trail				
	Subtotal	\$1,038,000	\$0	\$1,038,000	0.00%





Cloverdale ranch on the San Mateo Coast by Leigh Ann M. Gessner

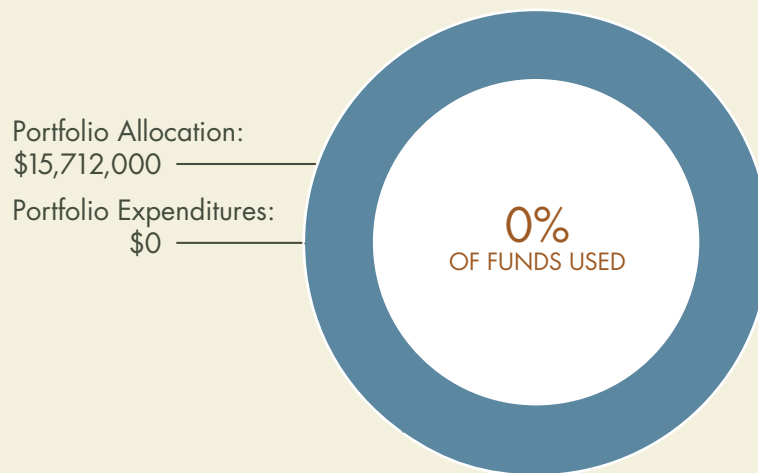
Portfolio 13: Cloverdale Ranch—Wildlife Protection, Grazing, and Trail Connections

Description

- Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands
- Restore habitat for endangered species
- Provide trail connections to nearby state parks
- Portfolio Allocation: \$15,712,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
13	Cloverdale Ranch: Wildlife Protection, Grazing and Trail Connections				
	Subtotal	\$15,712,000	\$0	\$15,712,000	0.00%





Russian Ridge Open Space Preserve by Vaibhav Tripathi

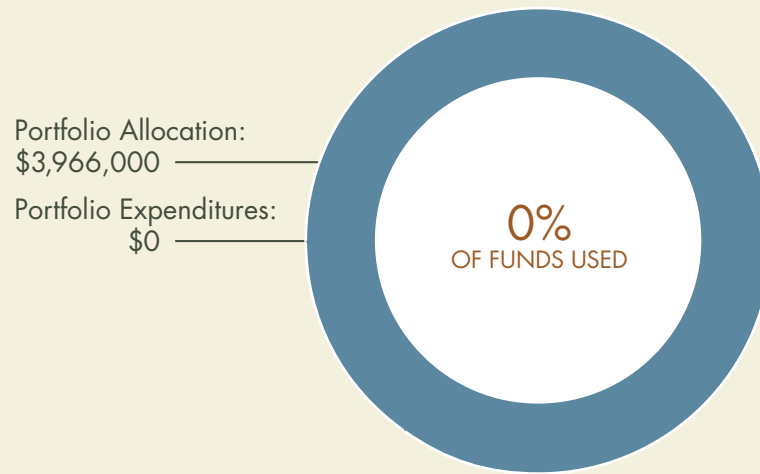
Portfolio 14: Regional—Trail Connections and Campgrounds

Description

- Develop trails between Butano, Pescadero County Park, and Russian Ridge, and between Skyline, Portola Redwoods, and Big Basin State Park
- Partner with county and state parks to improve existing campgrounds
- Portfolio Allocation: \$3,966,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
14	Regional: Trail Connections and Campgrounds				
	Subtotal	\$3,966,000	\$0	\$3,966,000	0.00%





Purisima Creek Redwoods Open Space Preserve by Karl Gohl

Portfolio 15: Regional—Redwood Protection and Salmon Fishery Conservation

Description

- Preserve additional open space as available
- Protect and enhance redwood stands, mountain scenery, various habitats, and Steelhead salmon
- Portfolio Allocation: \$50,728,000
- Portfolio Expenditures through 6/30/2016: \$2,495,713

Notable Accomplishments

- Expenditures for this portfolio project were for a conservation easement covering 353-acre Alpine Ranch property from POST

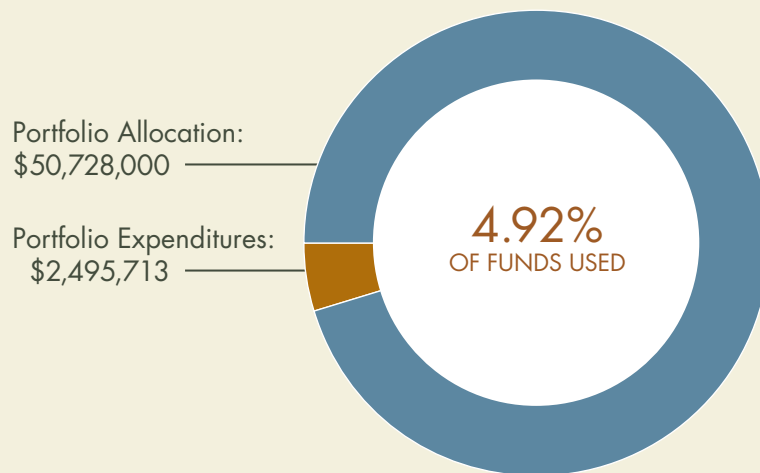
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
15	Regional: Redwoods Protection and Salmon Fishery Conservation				
	15-001 POST/Alpine Ranch Easement		\$2,495,713		
	Subtotal	\$50,728,000	\$2,495,713	\$48,232,287	4.92%





Long Ridge Open Space Preserve by Amanda Mills

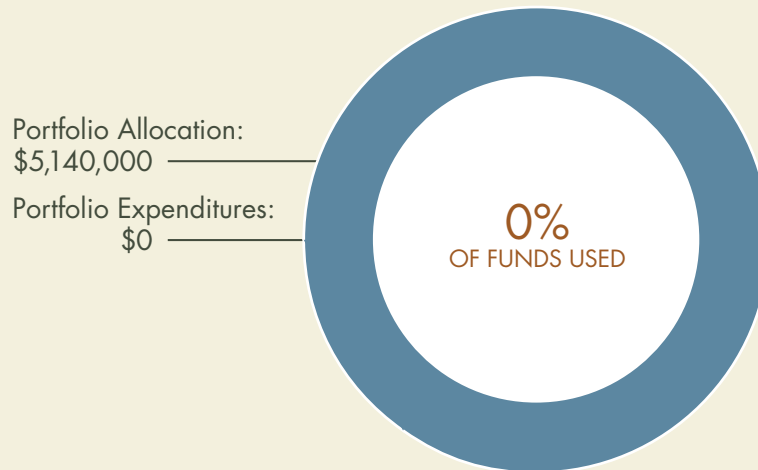
Portfolio 16: Long Ridge—Trail, Conservation, and Habitat Restoration Projects (Saratoga)

Description

- Improve roadside parking and provide restrooms
- Develop new trail connections to Eagle Rock and Devils Canyon
- Repair trails for year-round, multi-use access
- Protect watersheds for Steelhead
- Preserve additional open space as available
- Implement pond and habitat enhancement restoration projects to benefit rare species
- Portfolio Allocation: \$5,140,000
- Portfolio Expenditures through 6/30/20126: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
16	Long Ridge: Trail, Conservation and Habitat Restoration Projects (Saratoga)				
	Subtotal	\$5,140,000	\$0	\$5,140,000	0.00%





Stevens Creek Reservoir by Karl Gohl

Portfolio 17: Regional—Complete Upper Stevens Creek Trail

Description

- Complete multi-use connection between the Bay Trail and Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve and Lower/Upper Stevens Creek County Parks
- Improve Preserve trails and neighborhood connections
- Preserve additional open space as available
- Portfolio Allocation: \$7,760,000
- Portfolio Expenditures through 6/30/16: \$1,016,344

Notable Accomplishments

- Demolition and site cleanup of dilapidated, unsafe structures
- Completed the evaluation, design, and submitted permit applications for two footbridges across Stevens Creek
- Purchased the 60-acre former Lysons Property, securing land to facilitate the Upper Stevens Creek regional trail. Leveraged partnership funds to match the MAA funds expended for this purchase

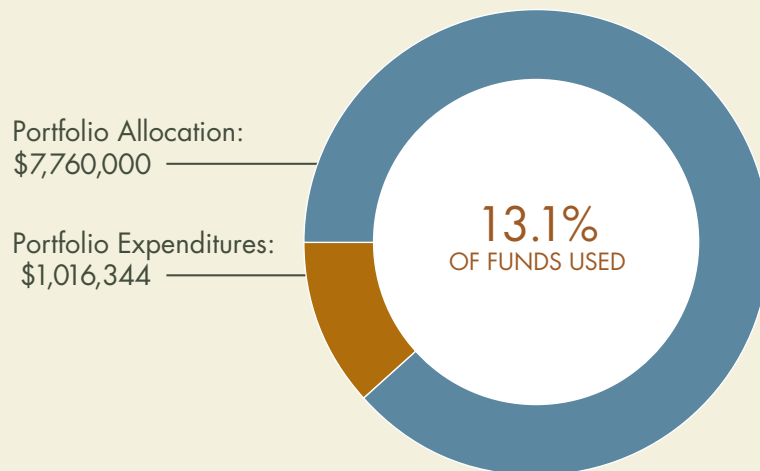
Project Challenges

- Permits for the Stevens Creek foot bridges require extensive review by City of Palo Alto City Council, due to the type of project extending permit review to one year

Potential Next Steps

- Secure permits and bid out the construction work

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
17	Regional: Complete Upper Stevens Creek Trail				
	17-001 Lysons Property Purchase <i>Less: Grant Income (50% of purchase price)</i>		\$1,494,552 (\$740,000)		
	17-002 Lobner Demolition		\$128,760		
	17-004 Lower Stevens Canyon Hiking Bridge		\$133,032		
	Subtotal	\$7,760,000	\$1,016,344	\$6,743,656	13.10%





Saratoga to Sea Trail by Midpen Staff

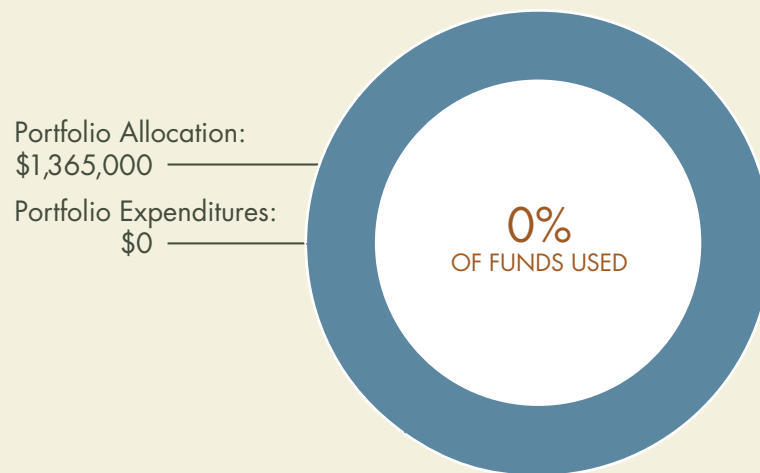
Portfolio 18: South Bay Foothills—Saratoga to Sea Trail and Wildlife Corridor

Description

- Protect wildlife corridor along Highway 9
- Connect trail to Saratoga to Sea Trail and Skyline-to-the-Sea Trail
- Portfolio Allocation: \$1,365,000
- Portfolio Expenditures through 6/30/2016: \$0

MAA Funds have not been expended on this Portfolio for this reporting period, therefore there are no funds in this Portfolio for the Bond Oversight Committee to validate at this time. This does not necessarily mean that work is not underway in this Preserve, it just means that if there is work in process, other funding sources are being utilized, and the scope is not what was contemplated as part of this Portfolio within the MAA Expenditure Plan, or the scope is not currently eligible for MAA fundings.

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
18	South Bay Foothills: Saratoga to Sea Trail and Wildlife Corridor				
	Subtotal	\$1,365,000	\$0	\$1,365,000	0.00%





El Sereno Open Space Preserve by Jack Gescheidt

Portfolio 19: El Sereno—Dog Trails and Connections

Description

- Provide infrastructure to open trails to dogs
- Develop connections to Skyline, Sanborn County Park, and Lexington Reservoir
- Portfolio Allocation: \$2,254,000
- Portfolio Expenditures through of 6/30/16: \$715

Notable Accomplishments

- Initiated research work to understand existing conditions and property rights that may affect the proposed opening of the trails to dogs on-leash
- Expenditures to date were used for title insurance associated with a potential land purchase

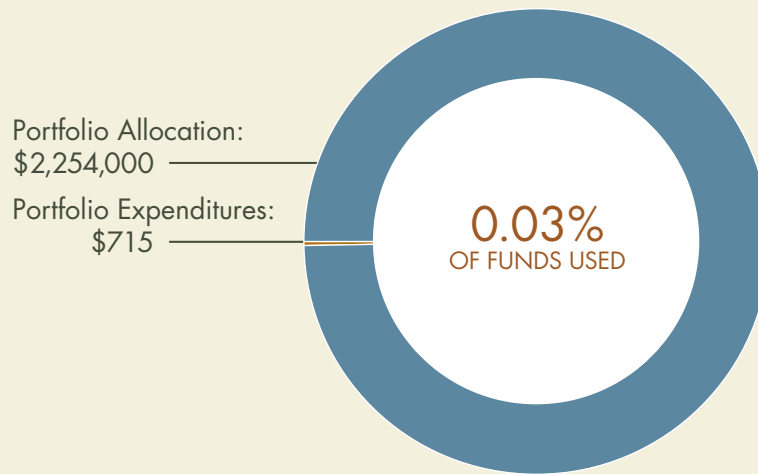
Project Challenges

- Additional property rights are needed to provide contiguous access across all existing trailheads

Potential Next Steps

- Complete CEQA review and prepare a Use and Management Plan Amendment for Board to consider a recommendation to open existing trails to dogs on-leash. The predominant MAA expenditures anticipated in the future will likely be related to purchasing land rights, easements, and fee title to provide access in support of the Portfolio Description

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
19	El Sereno: Dog Trails and Connections		\$715		
	Subtotal	\$2,254,000	\$715	\$2,253,285	0.03%



El Sereno Open Space Preserve by Todd Ditchendorf



Provide safe corridors for mountain lions across Highway 17
by Santa Clara County Open Space Authority

Portfolio 20: South Bay Foothills—Wildlife Passage and Ridge Trail Improvements

Description

- Establish safe corridors for mountain lions across Highway 17
- Establish Bay Area Ridge Trail crossing
- Portfolio Allocation: \$13,966,000
- Portfolio Expenditures through 6/30/2016: \$90,038

Notable Accomplishments

- Retained consultant team to begin work on Project Preliminary Alternatives Reports for both the Wildlife Corridor, and Bay Area Ridge Trail Crossing at Highway 17

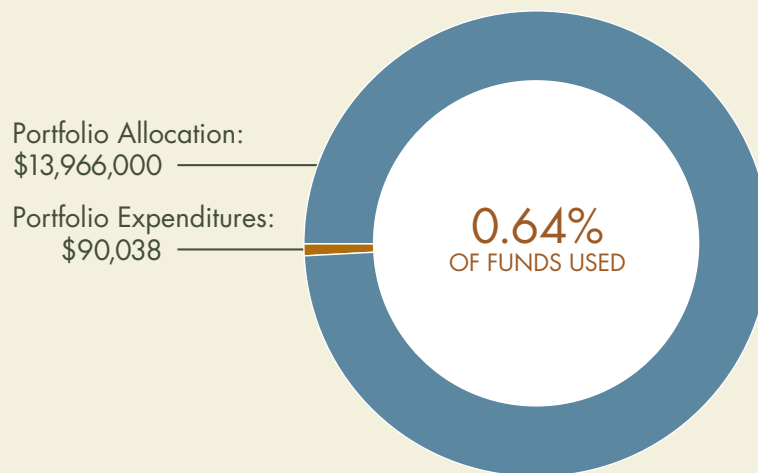
Project Challenges

- Complex Caltrans process and coordination with numerous project partners and stakeholders

Potential Next Steps

- Develop a Cooperative Agreement with Caltrans and a Caltrans Project Initiation Document

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
20	South Bay Foothills: Wildlife Passage and Ridge Trail Improvements				
	20-001 Highway 17 Crossing Culvert		\$89,721		
	20-002 Highway 17 Bay Area Ridge Trail Crossing		\$317		
	Subtotal	\$13,966,000	\$90,038	\$13,875,962	0.64%



Portfolio 21: Bear Creek Redwoods—Public Recreation and Interpretive Projects

Description

- Open for hiking, equestrian activities
- Provide parking areas, trails, upgrade stables
- Restore and protect habitats for various species
- Repair roads and trails to reduce sediment
- Rehabilitate Alma College site
- Portfolio Allocation: \$17,478,000
- Portfolio Expenditures through 6/30/2016: \$330,411

Notable Accomplishments

- Awarded a contract for design and engineering services to prepare construction plans for the new Alma College Parking Lot, which includes a new driveway, pedestrian crossing over Bear Creek Road, restroom, ADA trail, and trailhead
- Developed the Bear Creek Stables Site Plan alternatives and secured Board selection of the preferred alternative for CEQA review purposes
- Conducted water resources inventory, IPM plan to control vegetation, fuels reduction plan
- Conducted trail resources inventory
- Completed the draft Alma College Cultural Landscape Rehabilitation Plan and secured Board selection of a preferred alternative for CEQA review purposes
- Held a total of nine (9) successful public workshops/public and neighborhood meetings related to Bear Creek Stable Site Plan and Alternatives, Preserve Plan Goals and Proposed Actions, with up to 150 in attendance
- Completed a cultural resources evaluation to inform the Preserve Plan Environmental Impact Report (EIR)

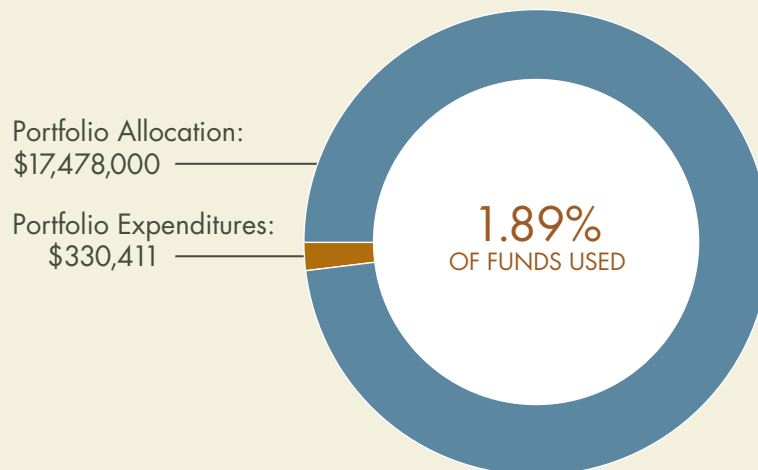
Project Challenges

- Parking layout needs to be modified to reduce impacts to the Western pond turtle while avoiding major impacts to the surrounding historic resources
- Parking lot may also impact an adjacent, large underground culvert that extends under Bear Creek Road, which may require additional engineering work
- Complex water sources and rights issues

Potential Next Steps

- Finalize the parking lot layout and complete the construction plans
- IPM implementation on roads and trails, shaded fuel break
- Road and trail improvements
- Begin the first phase of the detailed design for the Alma College Site Improvements
- Board approval of the Preserve Plan, including the Stables Site Plan and Alma College Rehabilitation Plan

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
21	Bear Creek Redwoods: Public Recreation and Interpretive Projects				
	21-001 Moody Gulch Fence and Gate Improvements		\$848		
	21-002 Bear Creek Redwoods Preserve Plan		(\$14,369)		
	21-003 Water Infrastructure Improvements		\$85,742		
	21-004 Bear Creek Stables Site Plan (Phase I)		\$6,125		
	21-005 Bear Creek Preserve Plan (Phase I)		\$53,809		
	21-006 Alma College Rehabilitation		\$155,082		
	21-007 Bear Creek Reserve Invasive Weed Treatment		\$43,174		
	Subtotal		\$17,478,000	\$330,411	\$17,147,589





Preserve upper Los Gatos Creek watershed at Sierra Azul
Open Space Preserve by Midpen Staff

Portfolio 22: Sierra Azul—Cathedral Oaks Public Access and Conservation Projects

Description

- Develop multi-use trail and plan future trails as land is available
- Develop parking
- Restore plant communities and soils
- Install trailside amenities
- Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed
- Portfolio Allocation: \$6,714,000
- Portfolio Expenditure: \$566,694

Notable Accomplishments

- Native plant restoration of Hendrys Creek property
- Received partnership funds to purchase the 117-acre former Hendrys Creek Property to protect wildlife corridors and watershed lands. Progress towards MAA goals, but no MAA funds used on this purchase
- Purchased the 24.41-acre former Freudenberg Property to protect wildlife corridors and watershed lands

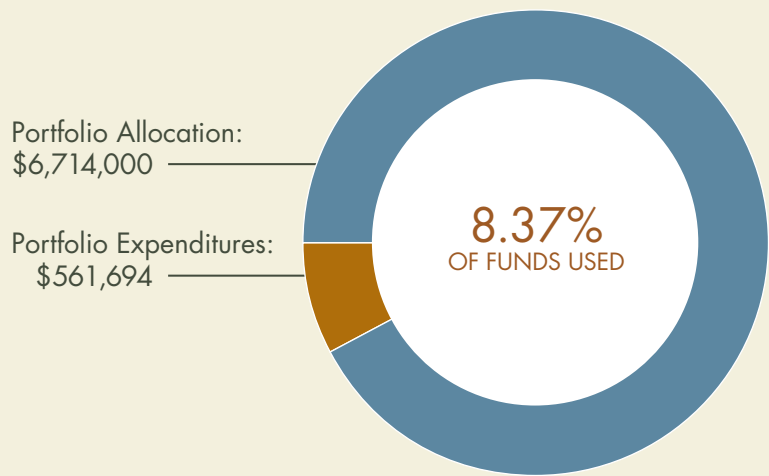
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
22	Sierra Azul: Cathedral Oaks Public Access and Conservation Projects				
	22-001 Hendry Creek Restoration <i>Less: 22-001 Grant Income</i>		\$61,752 (\$40,000)		
	22-003 Freudenberg Land Purchase		\$539,942		
	Subtotal	\$ 6,714,000	\$561,694	\$6,147,306	8.37%



Hendry Creek, Sierra Azul Open Space Preserve by Midpen Staff

Portfolio 23: Sierra Azul—Mount Umunhum Public Access and Interpretation Projects

Description

- Open Mount Umunhum for multi-use public access to summit via road and trail
- Open Bay Area Ridge Trail and nearby trail connections
- Preserve additional open space and complete wildlife corridor
- Portfolio Allocation: \$27,972,000
- Portfolio Expenditures through 6/30/2016: \$2,882,928

Notable Accomplishments

- Completed nearly 4-miles of the new Mount Umunhum Trail to connect people to the summit
- Confirmed the design goals and completed the conceptual design for the Guadalupe Creek Overlook (a featured overlook along the Mount Umunhum Trail) and new trail bridges
- Commenced site and contour restoration of the summit
- Finalized construction plans and bid-out the Summit Project, which includes new parking at the summit, ADA-accessible trails, weather shelters, stairs, ceremonial circle, and other site amenities
- Finalized construction plans and bid-out the Mount Umunhum Road Rehabilitation Project to improve over five (5) miles of roadway for the public to safely drive to and from the summit
- Developed interpretive material content and initiated the design of new interpretive signage and exhibits
- Surveyed and mapped rare plant populations and collected native plant seeds in support of the restoration planting plan
- Purchased the 38.97-acre former Meyer/Connolly Property to protect additional open space and wildlife corridors

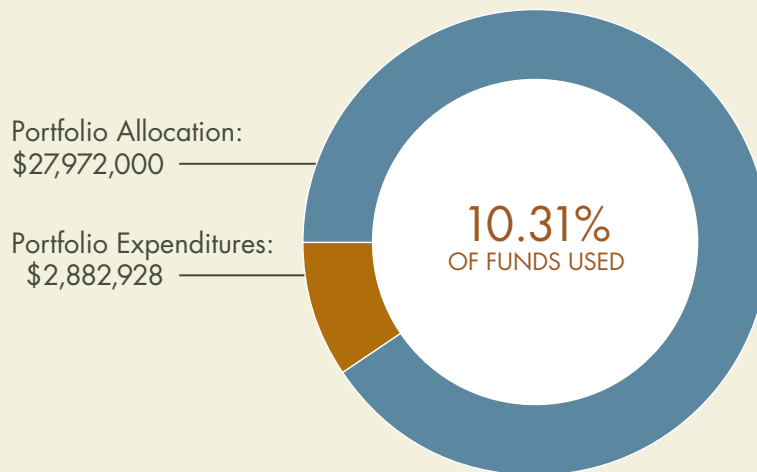
Project Challenges

- Installation of three required bridges requires a permit from the CA Dept. of Fish and Wildlife, and helicopter use for the delivery of bridge components. One segment will require specialized design and equipment to install steps and a railing

Potential Next Steps

- Complete the installation of three new bridges
- Finalize the design and construct the new trail steps and open the Mount Umunhum Trail to public use
- Complete construction of the Summit Project and open the site to public access
- Complete construction of the Road Repairs Project and open the road to public use
- Install the interpretive signage/exhibits

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
23	Sierra Azul: Mount Umunhum Public Access and Interpretive Projects				
	23-001 Property Purchase		\$1,264,084		
	23-002 Bald Mtn. Staging Area to Summit Trail		\$121,489		
	23-004 Summit Restoration and Improvement		\$978,058		
	23-005 Mt. Um. Trail Overlook and Bridges		\$195,764		
	23-006 Mt. Um. Road – Design/Permitting		\$323,533		
	Subtotal		\$27,972,000	\$2,882,928	\$25,089,072



Grassroots Ecology grew plants for Mount Umunhum Summit project by Midpen Staff



Rancho de Guadalupe Area at Sierra Azul Open Space Preserve by David Tharp

Portfolio 24: Sierra Azul—Rancho de Guadalupe Family Recreation

Description

- Open Rancho de Guadalupe to public access
- Develop accessible multi-use trails with amenities such as parking and family recreation
- Restore habitat for rare species
- Protect cultural and natural resources
- Portfolio Allocation: \$10,078,000
- Portfolio Expenditures through 6/30/2016: \$300,056

Notable Accomplishments

- Demolition and site cleanup
- Conducted environmental restoration of unused structures and their building footprint
- Purchased 4 acres of the Barth property

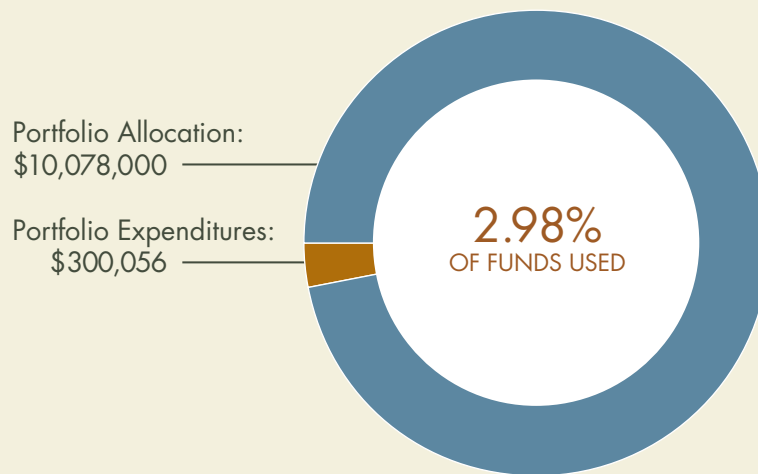
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
24	Sierra Azul: Rancho de Guadalupe Family Recreation				
	24-001 Barth Property Purchase		\$300,056		
	Subtotal	\$10,078,000	\$300,056	\$9,777,944	2.98%



Sierra Azul Open Space Preserve by Karl Gohl



Sierra Azul Open Space Preserve by Frances Freyberg

Portfolio 25: Sierra Azul—Loma Prieta Area Public Access, Regional Trails, and Habitat Projects

Description

- Provide public access and recreation, including small campground
- Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to the east, and to Mount Umunhum
- Protect Steelhead habitat, rare plants and grasslands, and restore Knob Cone Pine Stands
- Portfolio Allocation: \$7,986,000
- Portfolio Expenditures through 6/30/2016: \$410,150

Notable Accomplishments

- Purchased the 40-acre former Burton/Robinson Property to protect additional habitat within the Loma Prieta area

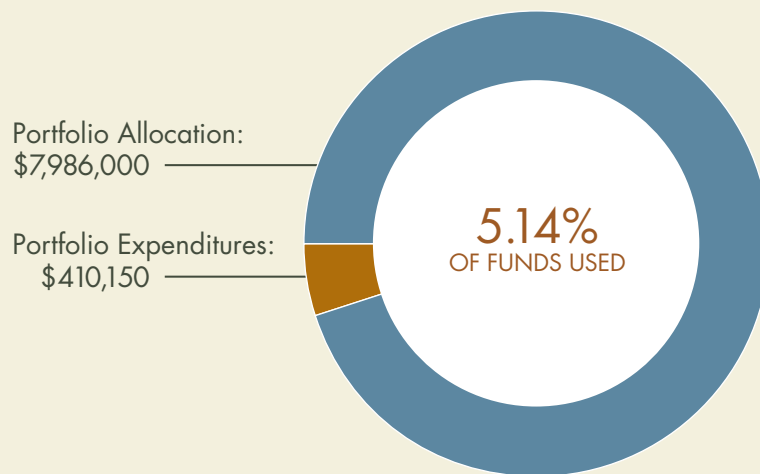
Project Challenges

- No project challenges identified at this time

Potential Next Steps

- No project next steps identified at this time

PORTFOLIO	PROJECT	EXPENDITURE PLAN ALLOCATION	LIFE-TO-DATE EXPENDED THROUGH 6.30.2016	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
25	Sierra Azul: Loma Prieta Area Public Access, Regional Trails and Habitat Projects				
	25-001 Burton Property Purchase		\$410,150		
	Subtotal	\$7,986,000	\$410,150	\$7,575,850	5.14%



Sierra Azul Open Space Preserve by Midpen Staff

Financial Report from New World ERP

Measure MAA Expenditures

PORT. #	PROJECT	EXPENDITURE PLAN ALLOCATION	PRIOR PERIOD 11-MAY-14 31-MAR-15	CURRENT PERIOD 1-APR-15 30-JUN-16	TOTAL LIFE-TO-DATE THROUGH 6/30/16	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
01	Miramontes Ridge: Gateway to Coast Public Access, Stream Restoration, and Agriculture Enhancement						
	Gateway to San Mateo Coast 01-003 Zions Property Purchase			\$6,315	\$6,315		
	Subtotal	\$27,774,000		\$6,315	\$6,315	\$27,767,685	0.02%
02	Regional: Bayfront Habitat Protection and Public Access Partnership						
	Habitat Protection and Public Access 02-002 Easement SFPUC Ravenswood Trail		\$22,603	\$74,834	\$97,437		
	Subtotal	\$5,052,000	\$22,603	\$74,834	\$97,437	\$4,954,563	1.93%
03	Purisima Creek Redwoods: Purisima to Sea Trail, Watershed Protection, and Conservation Grazing						
	03-001 Lot Line Adjustment/Riggs Property Purchase		\$382,000	\$288	\$382,288		
	03-004 Harkins Bridge Replacement		\$86,887	\$34,793	\$121,680		
	Subtotal	\$7,608,000	\$468,887	\$35,081	\$503,968	\$7,104,032	6.62%
04	El Corte de Madera Creek: Bike Trail and Water Quality Projects						
	04-002 ECdM Watershed Protection Final Phase			\$247,563	\$247,563		
	04-003 ECdM Watershed Protection Reassessment		\$45,507	\$38,449	\$83,956		
	04-004 Oljon Trail		\$3,930	\$22,672	\$26,602		
	Subtotal	\$8,376,000	\$49,437	\$308,684	\$358,121	\$8,017,879	4.28%
05	La Honda Creek: Upper Recreation Area, Habitat Restoration, and Conservation Grazing Projects						
	05-001 Land Conservation		\$20,000	\$1,736,093	\$1,756,093		
	05-002 Grazing/Water Systems Infrastructure		\$178,850	\$30,915	\$209,765		
	05-004 Sears Ranch Interim Parking			\$5,074	\$5,074		
	05-005 Red Barn Parking Area			\$13,562	\$13,562		
	05-006 Sears Ranch Road Repair			\$86,930	\$86,930		
	Subtotal	\$11,733,000	\$198,850	\$1,872,574	\$2,071,424	\$9,661,576	17.65%

PORT. #	PROJECT	EXPENDITURE PLAN ALLOCATION	PRIOR PERIOD 11-MAY-14 31-MAR-15	CURRENT PERIOD 1-APR-15 30-JUN-16	TOTAL LIFE-TO- DATE THROUGH 6/30/16	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
06	Windy Hill: Trail Implementation, Preservation, and Hawthorns Area Historic Partnership						
	Subtotal	\$12,740,000				\$12,740,000	0.00%
07	La Honda Creek: Driscoll Ranch Public Access, Endangered Wildlife Protection, and Conservation Grazing						
	07-001 Apple Orchard/Event Center Purchase			\$6,008,068	\$6,008,068		
	07-002 Fisheries Restoration Design/Permitting <i>Less: 07-002 Grant Income</i>			\$727,716 (\$230,970)	\$727,716 (\$230,970)		
	07-004 Fisheries Enhancement Event Center			\$20,000	\$20,000		
	07-005 Pond DR05 Repair/Restore		\$150,682		\$150,682		
	07-006 Cunha Land Purchase			\$3,080,705	\$3,080,705		
	07-007 Wool House Demolitions			\$38,606	\$38,606		
	07-009 Sears Ranch Parking Area			\$37,499	\$37,499		
	07-010 Sears Ranch Road Repair			\$2,564	\$2,564		
	Subtotal	\$14,825,000	\$150,682	\$9,684,188	\$9,834,870	\$4,990,130	66.34%
	08	La Honda Creek/Russian Ridge: Preservation of Upper San Gregorio Watershed and Ridge Trail					
Subtotal		\$15,347,000				\$15,347,000	0.00%
09	Russian Ridge: Public Recreation, Grazing, and Wildlife Protection Projects						
	09-001 Mindego Grazing Infrastructure		\$135,748	\$33,330	\$169,078		
	09-004 Mindego Hill Trail		\$30,571	\$36,536	\$67,107		
	Subtotal	\$5,560,000	\$166,319	\$69,866	\$236,185	\$5,323,815	4.25%
10	Coal Creek: Reopen Alpine Road for Trail Use						
	Subtotal	\$8,017,000				\$8,017,000	0.00%
11	Rancho San Antonio: Interpretive Improvements, Refurbishing, and Transit Solutions		\$728		\$728		
	Subtotal	\$10,811,000	\$728		\$728	\$10,810,272	0.01%

PORT. #	PROJECT	EXPENDITURE PLAN ALLOCATION	PRIOR PERIOD 11-MAY-14 31-MAR-15	CURRENT PERIOD 1-APR-15 30-JUN-16	TOTAL LIFE-TO-DATE THROUGH 6/30/16	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
12	Peninsula/South Bay Cities: Partner to Complete Middle Stevens Creek Trail						
	Subtotal	\$1,038,000				\$1,038,000	0.00%
13	Cloverdale Ranch: Wildlife Protection, Grazing, and Trail Connections						
	Subtotal	\$15,712,000				\$15,712,000	0.00%
14	Regional: Trail Connections and Campgrounds						
	Subtotal	\$3,966,000				\$3,966,000	0.00%
15	Regional: Redwoods Protection and Salmon Fishery Conservation						
	15-001 POST/Alpine Ranch Easement		\$2,508,695	(\$12,982)	\$2,495,713		
	Subtotal	\$50,728,000	\$2,508,695	(\$12,982)	\$2,495,713	\$48,232,287	4.92%
16	Long Ridge: Trail, Conservation, and Habitat Restoration Projects (Saratoga)						
	Subtotal	\$5,140,000				\$5,140,000	0.00%
17	Regional: Complete Upper Stevens Creek Trail						
	17-001 Lysons Property Purchase <i>Less: Grant Income</i>		\$1,497,059	(\$2,507) (\$740,000)	\$1,494,552 (\$740,000)		
	17-002 Lobner Demolition		\$128,760		\$128,760		
	17-004 Lower Stevens Canyon Hiking Bridge		\$42,216	\$90,816	\$133,032		
	Subtotal	\$7,760,000	\$1,668,035	(\$651,691)	\$1,016,344	\$6,743,656	13.10%
18	South Bay Foothills: Saratoga to Sea Trail and Wildlife Corridor						
	Subtotal	\$1,365,000				\$1,365,000	0.00%
19	El Sereno: Dog Trails and Connections			\$715	\$715		
	Subtotal	\$2,254,000		\$715	\$715	\$2,253,285	0.03%

PORT. #	PROJECT	EXPENDITURE PLAN ALLOCATION	PRIOR PERIOD 11-MAY-14 31-MAR-15	CURRENT PERIOD 1-APR-15 30-JUN-16	TOTAL LIFE-TO- DATE THROUGH 6/30/16	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
20	South Bay Foothills: Wildlife Passage and Ridge Trail Improvements						
	20-001 Highway 17 Crossing Culvert			\$89,721	\$89,721		
	20-002 Highway 17 Bay Area Ridge Trail Crossing			\$317	\$317		
	Subtotal	\$13,966,000		\$90,038	\$90,038	\$13,875,962	0.64%
21	Bear Creek Redwoods: Public Recreation and Interpretive Projects						
	21-001 Moody Gulch Fence and Gate Improvements			\$848	\$848		
	21-002 Bear Creek Redwoods Preserve Plan			(\$14,369)	(\$14,369)		
	21-003 Water Infrastructure Improvements			\$85,742	\$85,742		
	21-004 Bear Creek Stables Site Plan (Phase I)			\$6,125	\$6,125		
	21-005 Bear Creek Preserve Plan (Phase I)			\$53,809	\$53,809		
	21-006 Alma College Rehabilitation			\$155,082	\$155,082		
	21-007 Bear Creek Reserve Invasive Weed Treatment			\$43,174	\$43,174		
	Subtotal	\$17,478,000		\$330,411	\$330,411	\$17,147,589	1.89%
22	Sierra Azul: Cathedral Oaks Public Access and Conservation Projects						
	22-001 Hendrys Creek Restoration <i>Less: Grant Income</i>		\$45,685	\$20,422 (\$40,000)	\$61,752 (\$40,000)		
	22-003 Freudenberg Land Purchase			\$539,942	\$539,942		
	Subtotal	\$6,714,000	\$45,685	\$512,009	\$561,694	\$6,147,306	8.37%
23	Sierra Azul: Mount Umunhum Public Access and Interpretive Projects						
	23-001 Property Purchase			\$1,264,084	\$1,264,084		
	23-002 Bald Mtn. Staging Area to Summit Trail		\$11,626	\$109,863	\$121,489		
	23-004 Summit Restoration and Improvement		\$48,676	\$929,382	\$978,058		
	23-005 Mt. Um. Trail Overlook and Bridges		\$243	\$195,521	\$195,764		
	23-006 Mt. Um. Road – Design/Permitting			\$323,533	\$323,533		
	Subtotal	\$27,972,000	\$60,545	\$2,822,383	\$2,882,928	\$25,089,072	10.31%

PORT. #	PROJECT	EXPENDITURE PLAN ALLOCATION	PRIOR PERIOD 11-MAY-14 31-MAR-15	CURRENT PERIOD 1-APR-15 30-JUN-16	TOTAL LIFE-TO-DATE THROUGH 6/30/16	EXPENDITURE PLAN REMAINING	PERCENT EXPENDED
24	Sierra Azul: Rancho de Guadalupe Family Recreation						
	24-001 Barth Property Purchase			\$300,056	\$300,056		
	Subtotal	\$10,078,000		\$300,056	\$300,056	\$9,777,944	2.98%
25	Sierra Azul: Loma Prieta Area Public Access, Regional Trails, and Habitat Projects						
	25-001 Burton Property Purchase		\$10,150	\$400,000	\$410,150		
	Subtotal	\$7,986,000	\$10,150	\$400,000	\$410,150	\$7,575,850	5.14%

Source: New World ERP System

FUND BY

MEASURE  AA

2014 OPEN SPACE BOND

*Photo on front cover
Russian Ridge Open Space Preserve by Karl Gohl*



Midpeninsula Regional Open Space District

330 Distel Circle
Los Altos, California 94022-1404
Phone: 650-691-1200 • Fax: 650-691-0485
E-mail: info@openspace.org
Web site: www.openspace.org



EXHIBIT A Expenditure Plan

TITLE: To improve access to hiking and biking opportunities, protect and preserve redwood forests, natural open spaces, the scenic beauty of the region and coastline, critical wildlife habitat, restore creeks to protect water quality, and reduce forest fire risk.

1. SUMMARY

Founded by voters in 1972, the Midpeninsula Regional Open Space District (“District”) has protected, in perpetuity, 62,000 acres of open space containing 26 preserves and more than 220 miles of trails that serve Santa Clara, San Mateo, and a portion of Santa Cruz counties. The District’s preserves provide a scenic backdrop to the region offering residents places for hiking, biking, horseback riding, or simply connecting with nature, close to home. Throughout its 41-year history the District has used taxpayer dollars wisely, leveraging funds to bring in state, federal, and private grant money, and providing annual audits in a transparent public process. The District is governed by a publicly elected board of directors.

Over the years, the number of acres and miles of trails the District owns and maintains have steadily increased, as have the number of visitors and the cost of land. Expanding public access, restoring sensitive environments and purchasing land are costly, yet are high priorities for the public.

To reinforce and expand these types of services and resources, the Board of Directors is placing this funding measure on the June 3, 2014 ballot.

\$300 million in General Obligation Bonds will be sold. The bond repayment would be financed by an annual property tax override based on a tax rate not to exceed \$3.18 per \$100,000 of assessed value of property owned per year.

This Expenditure Plan outlines priority actions identified by the public and proposed by the District to be funded with bond proceeds. Part B describes each priority action and describes what goals it will achieve. Part C of the Expenditure Plan describes the establishment of an independent Citizen Oversight Committee.

2. PRIORITY ACTIONS

The priority actions listed below are the result of a process that combined scientific analysis with broad public engagement to create a shared vision for the future of the District and the region's open space. Each priority action may address one or more of the following as more specifically described in the table **Priority Actions, By Region** attached to this Expenditure Plan:

- Improved hiking, biking, and equestrian opportunities
- Protection and preservation of redwoods, natural open spaces, the scenic beauty of the region and coastline, critical habitats
- Restoration of creeks to protect water quality
- Reduction of forest fire risk

Priority actions are distributed throughout the District as depicted on the map attached to this Expenditure Plan.

If approved, the bond proceeds would be allocated to fund the capital improvements necessary to implement the priority actions listed below. Note: the number associated with each priority action does not denote its priority level, but is only used for identification purposes to correlate with the locations depicted on the map.

The estimates associated with each priority action are in 2014 dollars. These are estimates only, and the actual costs may change in implementation.

The District may annually review and propose amendments to the Expenditure Plan to provide for the use of additional federal, state and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances. The District shall act on no more than one package of amendments each fiscal year. The District shall establish a process for proposed Expenditure Plan amendment(s) which ensures that the Citizen Oversight Committee is included in the development. Upon completion of this process, amendments(s) to the Expenditure Plan must be passed by a two-thirds majority of the District Board in a publicly noticed meeting.

PRIORITY ACTIONS, BY REGION

South Bay Foothills (Los Gatos, Monte Sereno, Saratoga, and Santa Cruz Mountains)	
18	South Bay Foothills: Saratoga-to-Sea Trail and Wildlife Corridor Protect wildlife corridor along Highway 9. Connect trail to Saratoga-to-Sea Trail and Skyline-to-Sea Trail. \$1,365,000
19	El Sereno: Dog Trails and Connections Provide infrastructure to open trails to dogs. Develop connections to Skyline, Sanborn County Park, & Lexington Reservoir. \$2,254,000
20	South Bay Foothills: Wildlife Passage and Ridge Trail Improvements Establish safe corridors for mountain lions across Highway 17. Establish Bay Area Ridge Trail crossing. \$13,966,000
21	Bear Creek Redwoods: Public Recreation and Interpretive Projects Open for hiking, equestrian activities. Provide parking areas, trails; upgrade stables. Restore & protect habitats for various species. Repair roads & trails to reduce sediment. Rehabilitate Alma College site. \$17,478,000
22	Sierra Azul: Cathedral Oaks Public Access and Conservation Projects Develop multi-use trail & plan future trails as land is available. Develop parking. Restore plant communities and soils. Install trailside amenities. Preserve additional open space and complete wildlife corridor in upper Los Gatos Creek watershed. \$6,714,000
23	Sierra Azul: Mt. Umunhum Public Access and Interpretation Projects Open Mt. Umunhum for multi-use public access to summit via road and trail. Open Bay Area Ridge Trail and nearby trail connections. Preserve additional open space and complete wildlife corridor. \$27,972,000
24	Sierra Azul: Rancho de Guadalupe Family Recreation Open Rancho de Guadalupe to public access. Develop accessible multi-use trails with amenities such as parking and family recreation. Restore habitat for rare species. Protect cultural and natural resources. \$10,078,000
25	Sierra Azul: Loma Prieta Area Public Access, Regional Trails and Habitat Projects Provide public access and recreation, including small campground. Develop, improve, connect regional multi-use trails to Forest of Nisene Marks State Park, to protected land to east, and to Mt. Umunhum. Protect Steelhead habitat, rare plants and grasslands, restore Knobcone Pine stands. \$7,986,000

Peninsula Foothills and Bay

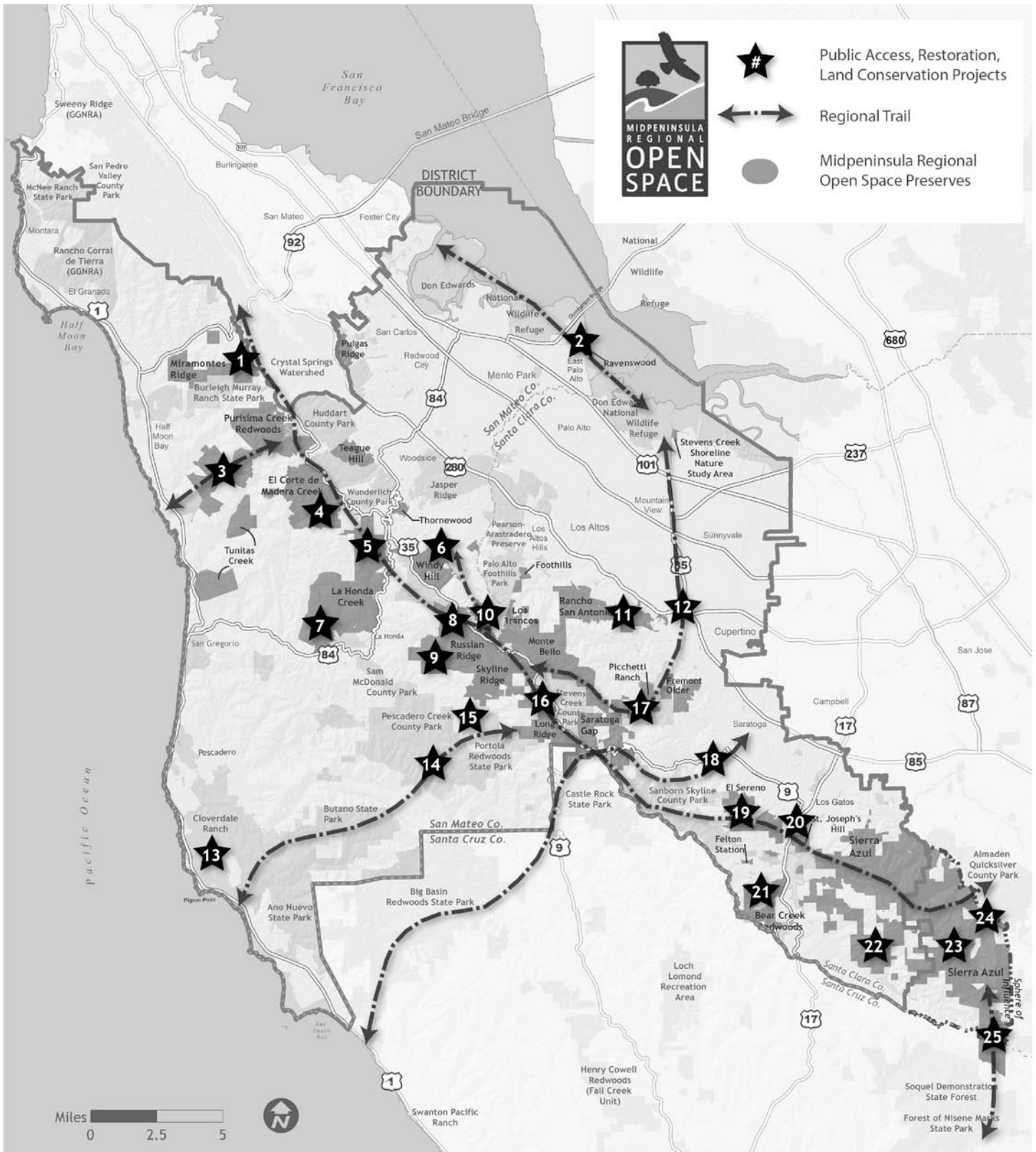
(Cupertino, Los Altos, Los Altos Hills, Sunnyvale, Mountain View, Palo Alto, East Palo Alto, Menlo Park, Atherton, Redwood City, San Carlos, Woodside, Portola Valley, Skyline)

2	Regional: Bayfront Habitat Protection and Public Access Partnerships Partner to complete gaps in Bay Trail and develop city-to-bay trails. Support wetland restoration and associated interpretive facilities. Preserve additional bayfront open space. \$5,052,000
4	El Corte de Madera Creek: Bike Trail and Water Quality Projects Develop single-use biking/hiking trails, complete Ridge Trail gaps, and develop trail system leading to parking area. Restore damaged trails to improve water quality. Preserve additional open space as available. \$8,376,000
5	La Honda Creek: Upper Area Recreation, Habitat Restoration and Conservation Grazing Projects Open upper half of the preserve to public; provide biking/hiking/equestrian trails, dog access, and staging areas. Provide loop & connector trails. Restore habitat for rare species. Improve fencing, corrals, and water systems to reintroduce conservation grazing. \$11,733,000
6	Windy Hill: Trail Improvements, Preservation and Hawthorns Area Historic Partnership Improve trails, complete pond facilities. Increase multi-use trails, study possible improvements to increase dog use. Open Hawthorns Area; develop trails connecting to Portola Valley and Palo Alto trails. Partner to protect, restore, and interpret historic buildings. Improve habitat conditions in Los Trancos Creek. Preserve additional scenic open space as available. \$12,740,000
8	La Honda Creek/Russian Ridge: Preservation of Upper San Gregorio Watershed & Ridge Trail Completion Preserve upper San Gregorio watershed; restore endangered species habitats. Support opportunities to provide additional water for fisheries. Complete Bay Area Ridge Trail multi-use connections and gaps. Provide additional public use facilities. \$15,347,000
9	Russian Ridge: Public Recreation, Grazing and Wildlife Protection Projects Open currently closed areas of preserve. Construct and extend trails. Improve fencing, corrals, and water systems to reintroduce conservation grazing. Improve habitat for sensitive species, implement pond enhancement projects for garter snakes and red-legged frogs. \$5,560,000
10	Coal Creek: Reopen Alpine Road for Trail Use Reopen Alpine Road as trail connection between Portola Valley & Skyline Blvd. Reroute trails to reduce erosion and improve visitor experience. \$8,017,000
11	Rancho San Antonio: Interpretive Improvements, Refurbishing, and Transit Solutions Add welcome center, refurbish and add interpretive exhibits to Deer Hollow Farm. Support of transit improvement options such as bike trails, bikeshare station, bus service, or additional parking. \$10,811,000
12	Peninsula/South Bay Cities: Partner to Complete Middle Stevens Creek Trail Support work by cities to develop the middle section of the Stevens Creek Trail and enhance neighborhood connections. Support work by partners to complete stream corridor restoration and steelhead habitat enhancement below dam. Develop and install interpretive signage. \$1,038,000
16	Long Ridge: Trail, Conservation and Habitat Restoration Projects (Saratoga) Improve roadside parking and provide restrooms. Develop new trail connections to Eagle Rock and Devils Canyon. Repair trails for year-round multi-use access. Protect watersheds for steelhead. Preserve additional open space as available. Implement pond and habitat enhancement restoration projects to benefit rare species. \$5,140,000
17	Regional: Complete Upper Stevens Creek Trail Complete multi-use connection between the Bay Trail & Bay Area Ridge Trail above the reservoir through Picchetti Ranch Open Space Preserve & Lower/Upper Stevens Creek County Parks. Improve Preserve trails and neighborhood connections. Preserve additional open space as available. \$7,760,000

Coast

(Half Moon Bay, San Gregorio, Pescadero, La Honda,)

1	Miramontes Ridge: Gateway to the Coast Public Access, Stream Restoration and Agriculture Enhancement Preserve scenic open space land as available, and establish wildlife corridor. Restore fish and red-legged frog habitats in Madonna Creek watershed. Partner to enhance water availability for agriculture and fish. Develop trail loop system, including Ridge Trail and neighborhood access points. Develop staging area, repair bridges. \$27,774,000
3	Purisima Creek Redwoods: Purisima-to-Sea Trail, Watershed Protection and Conservation Grazing Complete and open multi-use Purisima-to-Sea trail connection between Ridge Trail and Coastal Trail, and new parking areas. Preserve additional open space as available. Remove fish barriers and restore Lobitos Creek. Restore ponds for endangered species. \$7,608,000
7	La Honda Creek: Driscoll Ranch Public Access, Endangered Wildlife Protection and Conservation Grazing Open Driscoll Ranch Area; provide biking/hiking/equestrian trails, limited dog access, parking areas, and interpretive displays. Develop loop & connector trails. Restore habitat for endangered species. Restore La Honda Creek; remove fish migration barriers. \$14,825,000
13	Cloverdale Ranch: Wildlife Protection, Grazing and Trail Connections Improve fencing, corrals, and water systems to increase conservation grazing and sustain large contiguous grasslands. Restore habitat for endangered species. Provide trail connections to nearby State parks. \$15,712,000
14	Regional: Trail Connections and Campgrounds Develop trails between Butano, Pescadero County Park, Pescadero, Russian Ridge, and between Skyline and Portola Redwoods, Big Basin State Park. Partner with County and State Parks to improve existing campgrounds. \$3,966,000
15	Regional: Redwood Protection and Salmon Fishery Conservation Preserve additional open space as available. Protect and enhance redwood stands, mountain scenery, various habitats and steelhead salmon. \$50,728,000



3. INDEPENDENT CITIZEN OVERSIGHT COMMITTEE

An Independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The Independent Citizen Oversight Committee will consist of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.

The responsibilities of the Committee include:

- Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.
- Review District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting.
- Review any proposed amendments to the Expenditure Plan.

**EXHIBIT B
TAX RATE STATEMENT**

An election will be held in the Midpeninsula Regional Open Space District (the "District") on June 3, 2014, to authorize the sale of up to \$300 million in bonds of the District to provide public access and acquire, restore, and preserve open space throughout the District as described in the ballot measure. If the bonds are approved, the District expects to sell the bonds in several series over time. Principal and interest on the bonds will be payable from the proceeds of tax levies made upon the taxable property in the District. The information contained in numbered paragraphs 1 - 3 below is provided in compliance with sections 9400-9404 of the Elections Code of the State of California.

1. The best estimate of the tax which would be required to be levied to fund this bond issue during the *first* fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$1.00 per \$100,000 of assessed valuation in fiscal year 2015-16.

2. The best estimate of the tax rate which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the *last* series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$2.90 per \$100,000 of assessed valuation in fiscal year 2044-45.

3. The best estimate of the *highest* tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is \$3.18 per \$100,000 of assessed valuation in fiscal year 2034-35.

Voters should note that the estimated tax rates are based on the estimated *ASSESSED VALUE* of taxable property on the respective County's official tax rolls, not on a property's market value. Property owners should consult their own property tax bills to determine their property's assessed value and any applicable tax exemptions.

Attention of all voters is directed to the fact that the foregoing information is based upon the District's projections and estimates only, which are not binding upon the District. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of bonds sold and market interest rates at the time of each sale, and actual assessed valuations over the term of repayment of the bonds. The dates of sale and the amount of bonds sold at any given time will be determined by the District based on its needs for funds and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the District as determined by the respective County Assessor in the annual property value assessment process.

Dated: _____, 2014.

General Manager
Midpeninsula Regional Open Space District

**MIDPENINSULA REGIONAL
OPEN SPACE DISTRICT**

ANNUAL FINANCIAL AUDIT REPORT

JUNE 30, 2016



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

Midpeninsula Regional Open Space District
Santa Clara County

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	5 - 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 - 47
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) General Fund	49
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Capital Projects Fund	50
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Debt Service Fund	51
Schedule of Pension Plan Contributions	52
Schedule of Net Pension Liability Proportionate Shares	53
Schedule of Funding Progress – Other Postemployment Benefits	54
SUPPLEMENTARY INFORMATION:	
Measure AA Bond Program – Schedule of Program Expenditures	56
Notes to Supplementary Information	57
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>	59 - 60

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Midpeninsula Regional Open Space District (the District), as of and for the fifteen months ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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



Emphasis of a Matter

New Accounting Pronouncements

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

Change in Reporting Period

In order to improve the transparency over reporting financial transactions and overall operations, the District changed its reporting period from April 1st through March 31st to July 1st through June 30th. The financial statements and the related note disclosures included in this report cover the fifteen month period ended June 30, 2016. The most recently issued financial statements previous to this covered the fiscal period ended March 31, 2015, thus information may not be comparable between the financial statements and note disclosures included in each of these reports. Our opinion is not modified with respect to this matter.

Basis of Presentation

As of June 30, 2016, the District created a capital projects fund in order to account for resources restricted to capital outlay. To the establish the capital projects fund, the District recorded a prior period adjustment of \$5,248,837 to account for projects reported in the General Fund in prior periods that were restricted under bond Measure AA. See page 16 to review the impact on the governmental funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

September 10, 2016
San Jose, California

Management's Discussion and Analysis

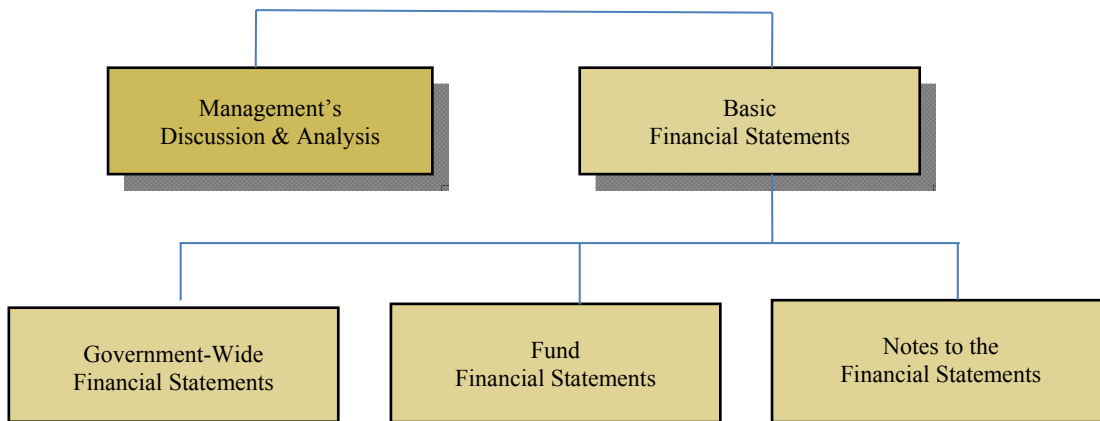
Midpeninsula Regional Open Space District

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

INTRODUCTION

The purpose of the Management's Discussion and Analysis (MD&A) is to present a discussion and analysis of the District's financial performance during the fifteen-month Period ended on June 30, 2016. In order to align with best practices of public agencies, the District's Board adopted Resolution 15-32 on July 22, 2015, changing the District's fiscal year end to June 30 from the prior March 31 and thereby extending the 2015-2016 fiscal year to fifteen months. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



OVERVIEW AND USE OF THE FINANCIAL STATEMENTS

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

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

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

Midpeninsula Regional Open Space District

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

Driven by the continue strong economy in Silicon Valley, District property tax revenues again increased above its long-term trend line in the period 2016, growing by \$9.9 million, or 28% over the prior year. District tax revenue growth and other metrics will not be comparable to the prior year due to the fifteen-month period of the current financial statements. The assessed valuation of secured and unsecured property within the District, as of June 30, 2016, increased by 10.1%. The District received 66% of its tax revenue from Santa Clara County and 34% from San Mateo County.

The most significant financial events were:

- The issuance of \$45 million of Measure AA General Obligation (GO) bonds
- Tax revenue related to the GO bonds amounted to \$1.78 million
- The District made a \$3 million pre-payment to CalPERS towards the District's unfunded pension liability. The savings from this payment is projected to save the District \$3.3 million spread over the next 20 years
- Committed Reserves for Infrastructure were increased by an additional \$15 million to better reflect the District's future facilities requirements in support of the implementation of Measure AA projects
- Purchased \$13 million of land and associated structures funded through Measure AA GO bond proceeds

District expenditures were within the annual budget. Excluding land acquisition and debt service, total District spending was \$28.47 million, which was \$7.27 million, or 20%, below budget. As in most recent years, a large majority of the budget variance was due to delays and deferrals of capital projects; the District spent 104% of its budget for salaries and benefits (including the \$3 million pre-payment to CalPERS), and 81% of the budget for services and supplies.

The District's net position increased by \$0.3 million and included a reduction to beginning net position from the implementation of GASB 68 of \$11.8 million. GASB 68 required the District to record a net pension obligation for its share of the CalPERS miscellaneous pension plan totaling \$11.4 million. The actual change in net position

Midpeninsula Regional Open Space District

Management's Discussion and Analysis

For the Period Ended June 30, 2016

before this adjustment was \$12.1 million for period 2016. The assets of the District exceeded liabilities at the close of the 2016 period by \$321.5 million. Of this total net position, \$277.6 million, or 86%, was the District's net investment in capital assets (capital assets net of related debt).

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

THE DISTRICT AS A WHOLE

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

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

Total net position increased by \$0.3 million, as revenues exceeded expenditures. Noncurrent assets increased due to \$16.7 million of capital expenditures. Total liabilities increased due to \$45 million in proceeds from the issuance of Measure AA general obligation bonds.

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

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

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

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

THE DISTRICT'S FUND BALANCE

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

Table 3 - Summary of Fund Balance (All Governmental Funds)							
	2016				2015	Change	Percentage Change
	General Fund	Capital Projects Fund	Debt Service Fund	Total			
Restricted for debt service	\$ -	\$ -	\$ 3,116,266	\$ 3,116,266	\$ -	\$ 3,116,266	100%
Restricted for Hawthorne maintenance	1,971,040	-	-	1,971,040	1,702,556	268,484	16%
Restricted for Measure AA Projects	-	23,778,047	-	23,778,047	-	23,778,047	100%
Committed for infrastructure	30,000,000	-	-	30,000,000	15,000,000	15,000,000	100%
Committed for equipment replacement	2,400,000	-	-	2,400,000	2,400,000	-	0%
Committed for natural disasters	3,000,000	-	-	3,000,000	3,000,000	-	0%
Assigned for infrastructure	-	-	-	-	3,000,000	(3,000,000)	-100%
Unassigned	16,857,586	-	-	16,857,586	21,329,605	(4,472,019)	-21%
Total Fund Balance	\$ 54,228,626	\$ 23,778,047	\$ 3,116,266	\$ 81,122,939	\$ 46,432,161	\$ 34,690,778	75%

Following the completion of its new thirty-year strategic plan, the Board of Directors committed a majority of the unassigned fund balance during period 2016 to reserves for infrastructure, equipment replacement and natural disasters. See page 24 of the audit report for a description of each commitment.

Midpeninsula Regional Open Space District

Management's Discussion and Analysis

For the Period Ended June 30, 2016

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of 2016, the District revised its General Fund budget, which resulted in an increase in total budgeted expenditures of \$7.665 million from the original to final budget. The primary driver behind this increase was due to the extension of the 2015-2016 fiscal year to fifteen months. The final budgeted revenue estimate was \$47.8 million. The original budgeted estimate was \$38.7 million. A summary of the original and final budget is presented below:

Table 4 - Summary of Original to Final Budgets				
	Original Budget	Final Budget	Variance	Percent Variance
Revenues				
Property taxes	\$ 36,305,000	\$ 45,430,000	\$ 9,125,000	25.13%
Grant revenues	451,000	451,000	-	0.00%
Property management	1,586,500	1,586,500	-	0.00%
Investment earnings	145,000	145,000	-	0.00%
Other revenues	175,000	175,000	-	0.00%
Total Revenues	38,662,500	47,787,500	9,125,000	23.60%
Expenditures				
Salaries and employee benefits	15,393,844	21,281,262	5,887,418	27.66%
Services and supplies	5,789,463	7,567,138	1,777,675	23.49%
Capital outlay	1,012,000	1,012,000	-	0.00%
Total Expenses	22,195,307	29,860,400	7,665,093	25.67%
Excess of Revenues over Expenditures	16,467,193	17,927,100	1,459,907	8.87%
Transfers in (out)	(12,145,558)	(12,145,558)	-	0.00%
Net Change in Fund Balance	\$ 4,321,635	\$ 5,781,542	\$ 1,459,907	33.78%

The budgetary comparison schedules following Note 10 of the footnotes shows how the District financial results of period 2016, on a GAAP basis, compared to the original budget adopted in March 2015 and the final budget amended in February 2016. Total revenue was \$1.6 million, or 3.4%, under budget. Total expenditures were \$7.3 million, or 20.4%, below budget, leaving an excess of revenue over expenditure of \$17.7 million. Spending for salaries, benefits, services and supplies was at 97.8% of budget as compared to 88.6% in the prior year.

CAPITAL ASSETS

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

Table 5 - Summary of Capital Assets Net of Depreciation				
	2016	2015	Change	Percentage Change
Land	\$ 403,773,365	\$ 390,690,696	\$ 13,082,669	3.35%
Construction-in-Progress	7,223,594	3,250,593	3,973,001	122.22%
Structure and Improvements	7,115,767	7,188,257	(72,490)	-1.01%
Infrastructure	7,551,992	7,700,415	(148,423)	-1.93%
Equipment	945,829	910,497	35,332	3.88%
Vehicles	1,844,342	1,736,367	107,975	6.22%
Total Capital Assets - Net	\$ 428,454,889	\$ 411,476,825	\$ 16,978,064	4.13%

Midpeninsula Regional Open Space District

Management's Discussion and Analysis

For the Period Ended June 30, 2016

LONG TERM LIABILITIES

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Directors adopted the District's budget for Period 2016-2017 on June 22, 2016. This budget assumes \$47.6 million in revenues and a growth in general fund property tax income of 7% over the prior period. This budget funds \$19.1 million of capital spending, of which \$15.5 million is expected to qualify for reimbursement from Measure AA GO bond funds. Operating expenditures and general fund debt service are budgeted at \$27.3 million and \$11.1 million, respectively. If all revenues, expenditure (including debt service) occur as budgeted, the District's overall cash balances would increase by \$6.1 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Midpeninsula Regional Open Space District

Statement of Net Position

June 30, 2016

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

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

Midpeninsula Regional Open Space District

Statement of Activities

For the Fifteen Month Period Ended June 30, 2016

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

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

Midpeninsula Regional Open Space District

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 54,151,757	\$ 24,330,278	\$ 3,116,266	\$ 81,598,301
Receivables:				
Deposits	1,537,825	-	-	1,537,825
Rent	3,506	-	-	3,506
Interest	168,025	-	-	168,025
Due from other governments:				
Taxes receivable	11,792	-	-	11,792
Other current assets	15,622	-	-	15,622
Due from other funds	65,011	19,016	-	84,027
Notes receivable	151,425	-	-	151,425
Total Assets	\$ 56,104,963	\$ 24,349,294	\$ 3,116,266	\$ 83,570,523
LIABILITIES				
Liabilities:				
Accounts payable	\$ 580,398	\$ 557,573	\$ -	\$ 1,137,971
Deposits payable	98,770	-	-	98,770
Due to other funds	70,353	13,674	-	84,027
Payroll and other liabilities	975,391	-	-	975,391
Total Liabilities	1,724,912	571,247	-	2,296,159
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	151,425	-	-	151,425
FUND BALANCE				
Restricted for:				
Debt service	-	-	3,116,266	3,116,266
Measure AA capital projects	-	23,778,047	-	23,778,047
Hawthorne maintenance	1,971,040	-	-	1,971,040
Committed for:				
Infrastructure	30,000,000	-	-	30,000,000
Equipment replacement	2,400,000	-	-	2,400,000
Natural disasters	3,000,000	-	-	3,000,000
Unassigned	16,857,586	-	-	16,857,586
Total Fund Balance	54,228,626	23,778,047	3,116,266	81,122,939
Total Liabilities and Fund Balance	\$ 56,104,963	\$ 24,349,294	\$ 3,116,266	\$ 83,570,523

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

Midpeninsula Regional Open Space District

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

Total fund balance - governmental funds \$ 81,122,939

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 442,283,344	
Accumulated depreciation	<u>(13,828,455)</u>	428,454,889

Principal on notes receivables are recorded as unearned revenue in the funds, which upon collection is a current financial resource. In the government-wide financial statements, repayment of the principal amount does not generate revenue in the statement of activities; therefore, unearned revenue is not recorded. 151,425

Net OPEB assets are not available to pay for current period expenditures and, therefore, are not recognized in the governmental funds statements. 699,015

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. 3,637,966

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (2,284,000)

Issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position: 1,006,500

Deferred loss on early retirement of long-term debt is recorded in the Statement of Net Position as a deferred outflow of resources and amortized on a straight line basis over the original life of the defeased bond. 2,284,028

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

Bonds	\$ 115,198,421	
Net pension obligations	11,420,125	
Promissory notes	65,176,664	
Compensated absences	<u>1,816,889</u>	<u>(193,612,099)</u>

Total net position - governmental activities \$ 321,460,663

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

Midpeninsula Regional Open Space District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fifteen Month Period Ended June 30, 2016

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

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

Midpeninsula Regional Open Space District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Fifteen Month Period Ended June 30, 2016

Total net change in fund balance - governmental funds \$ 37,690,778

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures capitalized as capital assets	\$ 18,222,696	
Depreciation expense	<u>(1,311,272)</u>	16,911,424

Governmental funds do not report loss on disposal of capital assets. However, in the government-wide statement of activities and changes in net position, the cost to dispose of capital assets, net any proceeds, is accounted for as a special item. 66,643

Repayment of notes receivable is reported as revenue in the governmental funds because financial resources were received and available during the fiscal year. In the statement of net position, the payment reduces the principal balance of notes receivable and does not generate revenue in the statement of activities. (17,943)

Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements. (1,064,650)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Proceeds from the issuance of general obligation bonds	\$ (47,281,625)	
Repayment of bond principal	2,730,000	
Repayment of promissory notes principal	<u>1,636,938</u>	(42,914,687)

Deferred loss on early retirement of long-term debt is amortized over the life of the debt in the statement of activities. Amortization expense is not reported in the governmental funds. (339,194)

Prepaid issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:

Amortization of issuance costs and premiums - net		99,758
---	--	--------

In the Statement of Activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used. (280,210)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 4,007,482

In the Statement of Activities, the net postemployment benefit asset is the amount by which the contributions toward the OPEB plan were more than the annual required contribution as actuarially determined. The net postemployment benefit is not recorded in the governmental fund statements. The change in the net OPEB was recorded in the Statement of Activities in the amount of: (164,161)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (1,870,000)

Change in net position of governmental activities \$ 12,125,240

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. General

The Midpeninsula Regional Open Space District (the District) was formed in 1972 to acquire and preserve public open space land in northern and western portions of Santa Clara County. In June 1976, the southern and eastern portions of San Mateo County were annexed to the District. The District annexed a small portion of the northern tip of Santa Cruz County in 1992. In September 2004, the District completed the Coastside Protection Program, which extended the District boundaries to the Pacific Ocean in San Mateo County, from the southern borders of Pacifica to the San Mateo/Santa Cruz County line.

B. Accounting Principles

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

C. Reporting Entity

As required by generally accepted accounting principles, these basic financial statements present the Midpeninsula Regional Open Space District and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Blended Component Unit. The District and the County of Santa Clara entered into a joint exercise of powers agreement dated May 1, 1996, creating the Midpeninsula Regional Open Space District Financing Authority (the Authority), pursuant to the California Government Code. The District is financially accountable for the Authority, as it appoints a voting majority of the governing board; is able to impose its will in the Authority; and the Authority provides specific financial benefits to, and imposes specific financial burdens on, the District. The Authority was formed for the sole purpose of providing financing assistance to the District to fund the acquisition of land to preserve and use as open space. As such, the Authority is an integral part of the District, and accordingly, all of the Authority's activity is blended within the accompanying debt service fund.

D. Reporting Period

In order to improve the transparency over reporting financial transactions and overall operations, the District changed its reporting period from April 1st through March 31st to July 1st through June 30th. The financial statements and the related note disclosures included in this report cover the fifteen month period ended June 30, 2016. The most recently issued financial statements previous to this covered the fiscal period ended March 31, 2015, thus information may not be comparable between the financial statements and note disclosures included in each of these reports.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

E. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

F. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal period in which the resources are measurable and

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

become available. "Available" means the resources will be collected within the current fiscal period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal period. For the District, "available" means collectible within the current period or within 90 days after period-end.

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

Deferred Outflows/Deferred Inflows:

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

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

Unearned Revenue:

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Fund Accounting

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

Capital Projects Fund. The Capital Projects Fund is used to account for resources from bond proceeds and other related resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of land, land improvements, structures, capital facilities and other capital assets in the governmental funds.

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

H. Budgets and Budgetary Accounting

The District's Board of Directors adopts an annual operating budget for the District as a whole, which includes both its General and Debt Service Funds on or before June 30, for the ensuing fiscal period. The Board of Directors may amend the budget by resolution during the fiscal period. The legal level of control, the level at which expenditures may not legally exceed the budget, is at the category level.

I. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

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

2. *Investments*

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

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

3. Prepaid Expenditures

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

4. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$1 for land, \$25,000 for equipment, fixtures and vehicles, \$50,000 for infrastructure, improvements, buildings and structures.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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>
Structures/Improvements	50
Public Access Infrastructure	20 - 50
Equipment/Fixtures	5 - 20
Vehicles	5
Software	5 - 10

5. Compensated Absences

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

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

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

An employee hired before August 9, 2006, who retires from the District shall receive a cash payment of the percentage of equivalent cash value or accrued sick leave based on years of employment as described above, and apply the remainder of the equivalent cash value toward his/her cost of retiree medical plan premiums and/or other qualified medical expenses. Upon retirement, the amount qualified and designated for retiree medical costs shall be deposited in the Retiree Health Savings (RHS) plan, set up by the District. The cost for maintaining the retiree's RHS account and the annual fee for the reimbursement process of qualified medical expenses will be paid for by the retiree.

An employee hired on or after August 9, 2006, who retires from the District may elect to receive only a cash payment of the percentage of equivalent cash value of accrued sick leave based on years of employment as described above.

In all cases the equivalent cash value of accrued sick leave will be based on current rate of pay as of the date of separation from District employment.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

The District accrues for all salary-related items in the government-wide statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination.

6. Long-Term/Noncurrent Obligations

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

7. Debt Discount and Issuance Costs

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

8. Fund Balance Classifications

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

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at period-end. Committed fund balances were imposed by the District's board of directors as follows:
 - Infrastructure: \$30 million; projected minimum requirement for expansion of field and office facilities over the next five years.
 - Equipment Replacement: \$2.4 million; projected requirement for equipment and vehicle replacement based on the amount of accumulated depreciation recorded on capital assets in service.
 - Natural Disasters: \$3.0 million; projected emergency expenditures required to respond quickly to a major fire, earthquake or flood.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

9. Net Position

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

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

10. Property Taxes

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

11. Accounting Estimates

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

J. Implemented New Accounting Pronouncements

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

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

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

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

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

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

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

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

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

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

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

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

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in GASB 79, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

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

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The implementation of GASB 79 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

K. Upcoming Accounting and Reporting Changes

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

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

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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

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

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

GASB Statement No. 77, Tax Abatement Disclosures

GASB Statement No. 77, *Tax Abatement Disclosures*, addresses financial reporting about the nature and magnitude of tax abatements of governmental entities. The statement requires that

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

governments that enter into tax abatements disclose more comprehensive information about the agreements, including the following:

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

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

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

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

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

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

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

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

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

NOTE 2 - CASH AND INVESTMENTS

Summary of Cash and Investments

The following summarizes deposits as of June 30, 2016:

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

Cash in Banks

Cash balances in banks are insured up to \$250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). The District's accounts are held with various banks. As of June 30, 2016, the District's bank balances exceeded FDIC coverage by \$1,504,987.

Fair Value Measurements

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

Investment Type	Rating	Fair Value	Input Level	Maturities				Concentrations
				12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Money Market Accounts	n/a	\$ 100,670	n/a	\$ 100,670	\$ -	\$ -	\$ -	0.13%
Mutual Funds	n/a	141,392	Level 2	141,392	-	-	-	0.18%
Municipal Bonds	AA-/A+	3,503,232	Level 2	300,375	361,116	2,841,741	-	4.37%
Corp/Gov Bonds	A-/A+	28,278,960	Level 1	5,078,523	17,946,649	5,253,788	-	35.32%
LAIF	n/a	358,439	Level 2	358,439	-	-	-	0.45%
Santa Clara County Pool	n/a	39,191,462	Level 2	21,676,389	8,016,009	9,499,064	-	48.94%
U.S. Obligations	AAA	8,501,322	Level 1	5,616,465	2,884,857	-	-	10.62%
Total Investments		\$ 80,075,477		\$ 33,272,253	\$ 29,208,631	\$ 17,594,593	\$ -	100.00%

Cash in Santa Clara County Treasury

Santa Clara County is a fiscal agent of the District. The fair value of the District's investment in the county pool is reported at amounts based on the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized costs basis. Santa Clara County investment pool funds were available for withdrawal on demand and had an average maturity date of less than one year.

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

California Local Agency Investment Fund

The District is a participant in the Local Agency investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments had an average maturity date of less than one year.

Investments Authorized by Debt Agreements

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

Restricted for Debt Service

As of June 30, 2016, the District had \$1,700,401 held by Zions bank as trustee, pledged to the payment or security of its outstanding bond issues. The District also had money held by the Bank of New York during the period (zero balance at period-end) which was pledged to the payment or security of its outstanding bonds. All transactions associated with debt service were administered by the Bank.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

Cash Restricted for Hawthorne Property Maintenance

On November 10, 2011, the District received the gift of the 79 acre Hawthorne property, in Portola Valley, California, and an endowment of \$2,018,445 to manage the property in perpetuity. The cash balance restricted for this purpose at June 30, 2016 was \$1,531,668.

Policies and Practices

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Medium Term Notes	5 years	30%	No Limit
Money Market and Mutual Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	No Limit	No Limit
Federal Agency Securities	5 years	No Limit	No Limit
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Reverse Repurchase Agreements	92 days	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	\$40 million per account	No Limit

a) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Santa Clara County investment pool and LAIF, which had fair values of approximately \$6.3 billion and \$75.4 billion, respectively as of June 30, 2016, and diversifying its investments, as noted above, through the utilization of brokers.

b) Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County's investment pool is governed by the County's general investment policy. The County's investments in 2016 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure. See the schedule above for a summary of the District's ratings by investment type.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

c) Custodial Credit Risk – Deposits

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

d) Concentration of Credit Risk

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

NOTE 3 - NOTES RECEIVABLE

On December 17, 1997, the District sold the title to and possession of a 50-year fee determinable estate 10-acre parcel near the Skyline Ridge Open Space Preserve. The District financed the purchase in the amount of \$288,800 over 25 years at a rate of 10% per annum. Monthly principal and interest payments of \$2,634 are due on the 1st of each month and late if not paid by the 10th, with the final payment scheduled December 1, 2022. The outstanding balance at June 30, 2016 was \$151,425.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

NOTE 5 - LONG-TERM DEBT

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

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

Promissory Notes

Daloia Land Purchase Contract Promissory Note

During the fiscal year ending 2003 the District entered into a land purchase contract promissory note in the amount of \$240,000. The promissory note bears interest at a fixed rate of 6.25% and matures October 10, 2017.

Hunt Living Trust Promissory Note

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

2010 Bergman Note

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

2012 Refunding Promissory Notes

On January 19, 2012, the District advance refunded \$34,652,643 in 1999 lease revenue bonds by issuing \$31,264,707 in promissory notes. The 2012 notes bear interest rates ranging from 2.00% to 6.04%. The notes are a blend of current interest and capital appreciation notes maturing through 2042. The net proceeds of \$33,295,663 (after payment of \$278,683 in underwriting fees, insurance, and other issuance costs and a premium of \$2,309,638) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 Series bonds are

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

2015 Refunding Promissory Notes

On January 22, 2015, the District advance refunded \$29,986,962 in 2004 Revenue Bonds by issuing \$28,578,500 in promissory notes. The 2015 notes bear interest rates ranging from 2.00% to 5.00%. The notes are current interest notes maturing through 2035. The net proceeds of \$28,325,491 (after payment of \$253,009 in underwriting fees, insurance, and other issuance costs and a premium of \$4,948,500) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Revenue Bonds. As a result, the 2004 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt in the financial statements.

Revenue and General Obligation Bonds

2015A and 2015B General Obligation Bonds

On July 29, 2015, the District issued \$40,000,000 of 2015A general obligation bonds and \$5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of \$2,559,224 with an underwriter's discount of \$107,599 and issuance costs of \$170,000.

2007 Series A Revenue Refunding Bonds and Series B-T Taxable Revenue Refunding Bonds

On December 15, 2006 the District issued six series of promissory notes (2007 District Notes) for the purpose of refunding its 1996 Project Lease, 1996 Promissory Notes, 1999 Project Lease, and 1999 Promissory Notes. On December 15, 2006 the Authority, on behalf of the District, issued \$52,415,000 of 2007 Series A Revenue Refunding Bonds and \$6,785,000 of 2007 Series B-T Taxable Revenue Refunding Bonds for the purpose of defeasing the aggregate purchase price of the 2007 District Notes. The Series A bonds bear interest from 4.0% to 5.0% and Series B-T bonds bear interest at 5.15%. Interest for both series A and B-T are due semiannually on March 1 and September 1. Principal payments for the Series A bonds began September, 2012 and are due annually, thereafter. Principal payments for the Series B-T bonds are due annually on September 1.

2011 Revenue Bonds

On May 19, 2011, the Authority, on behalf of the District, issued \$20,500,000 of 2011 Revenue Bonds for the purpose of acquiring land to preserve and use as open space and pay bond issue and related costs. The Bonds are not general obligations. Each period, the District will appropriate revenues-mainly limited property tax collections that Santa Clara County and San Mateo County allocate to the District – to pay its obligations under a Lease Agreement for use and occupancy of District land in addition to other District debt and lease obligations unrelated to this financing. The Current Interest Bonds bear interest at 2.0% to 6.0% and are due semi-annually on March 1 and September 1. Principal payments on the Current Interest Bonds are due annually September 1.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

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

NOTE 6 - RENTAL INCOME

The District rents certain land and structures to other entities under operating leases with terms generally on a month-to-month basis. Rental income of \$1,284,477 was received during the period ended June 30, 2016.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

Pension Plan

General Information about the Pension Plans

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

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

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

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

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

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

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	\$ 11,420,125

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$781,494. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,788,977	\$ -
Changes in assumptions	-	(824,734)
Differences between expected and actual experiences	87,172	-
Net differences between projected and actual earnings on plan investments	2,113,950	(2,527,399)
Total	\$ 6,990,099	\$ (3,352,133)

The District reported \$183,304 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

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	7.65%
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 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

CalPERS was scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that was scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

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

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

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

Other Postemployment Benefits (OPEB)

Plan Description

The District joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The District Board authorized a deposit of \$1,900,000 in CERBT on June 5, 2008, to begin funding its OPEB liability. By Board resolution and through agreements with its labor unit, the District provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below:

Eligibility	Service or disability retirement from the District => Age 50 and 5 years of service Continue participation in Public Employees => Medical and Hospital Care Act (PEMHCA)
Retiree Medical Benefit	District pays retiree medical premiums up to: => \$300/month effective 1/1/07 => \$350/month effective 1/1/09 Must be at least equal to statutory PEMHCA minimum (\$122 in 2015, \$125 in 2016)
PEMHCA Administrative Fee	District pays CalPERS administrative fees (0.32% of premiums for 2015/16)
Surviving Spouse Continuation	Retiree benefit continues to surviving spouse if retiree elects survivor annuity under CalPERS retirement plan
Other OPEB	None

Funding Policy

In accordance with the District's budget, the Annual Required Contribution (ARC) is to be funded throughout the period as a percentage of payroll. Concurrent with implementing Statement No. 45, the District's Board of Directors passed a resolution to participate in CERBT, an irrevocable trust established to fund OPEB. CERBT is managed by an appointed board not under the control of the District. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each period and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

The following table shows the components of the District's annual OPEB cost for the period, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

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

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

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

Funded Status and Funding Progress

The most recent actuarial valuation date was June 30, 2015. The following summarizes the funded status of the plan as of June 30, 2016:

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

Actuarial Methods and Assumptions

The ARC was determined as part of the actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.04% to 7.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health inflation increases of 0% for 1 year, 1.5% for the next 5 years, and 3% thereafter. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year open amortization period.

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

Self-Insurance Programs of the CAL JPIA

General and Automobile Liability

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

Worker's Compensation

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

Purchased Insurance

Environmental Insurance

The District participates in the Pollution and Remediation Legal Liability Program, which is available through CAL JPIA. The policy provides coverage for both first and third party damages, including sudden and gradual pollution at or from property, streets, sanitary sewer trunk lines and storm drain outfalls owned by the District. Coverage is on a claims-made basis. There is a \$50,000 deductible. CAL JPIA has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of CAL JPIA has a \$10,000,000 aggregate limit during the 3-year policy term.

Property Insurance

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

Boiler & Machinery Insurance

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

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

Midpeninsula Regional Open Space District

Notes to the Basic Financial Statements

June 30, 2016

Vendors/Contractors Program

General liability coverage is provided to vendors/contractors who otherwise could not contract with the District as they could not meet the minimum insurance requirement: \$1 million per occurrence, \$1 million in aggregate.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The District may be exposed to various claims and litigation during the normal course of business. However, management believes there were no matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2016.

NOTE 10 - SUBSEQUENT EVENTS

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

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

NOTE 11 - PRIOR PERIOD ADJUSTMENT

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

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

REQUIRED
SUPPLEMENTARY
INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 36,305,000	\$ 45,430,000	\$ 43,203,891	\$ (2,226,109)
Grant income	451,000	451,000	222,660	(228,340)
Property management	1,586,500	1,586,500	1,635,889	49,389
Investment earnings	145,000	145,000	453,540	308,540
Other revenues	175,000	175,000	643,849	468,849
Total revenues	38,662,500	47,787,500	46,159,829	(1,627,671)
Expenditures:				
Current				
Salaries and employee benefits	15,393,844	21,281,262	22,077,184	(795,922)
Services and supplies	5,789,463	7,567,138	6,147,083	1,420,055
Capital outlay	1,012,000	1,012,000	242,376	769,624
Total expenditures	22,195,307	29,860,400	28,466,643	1,393,757
Excess (deficiency) of revenues over (under) expenditures	16,467,193	17,927,100	17,693,186	(233,914)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(12,145,558)	(12,145,558)	(12,145,558)	-
Total other financing sources (uses)	(12,145,558)	(12,145,558)	(12,145,558)	-
Net change in fund balance	4,321,635	5,781,542	5,547,628	(233,914)
Fund balance beginning	43,432,161	43,432,161	43,432,161	-
Prior period adjustment - Capital Projects Fund	5,248,837	5,248,837	5,248,837	-
Fund balance beginning - as adjusted	48,680,998	48,680,998	48,680,998	-
Fund balance ending	\$ 53,002,633	\$ 54,462,540	\$ 54,228,626	\$ (233,914)

Midpeninsula Regional Open Space District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Capital Projects Fund
For the Fifteen Month Period Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Grant income	-	-	970,970	970,970
Property management	-	-	-	-
Investment earnings	-	-	185,502	185,502
Other revenues	-	-	-	-
Total revenues	-	-	1,156,472	1,156,472
Expenditures:				
Current				
Salaries and employee benefits	1,299,281	465,970	412,718	53,252
Services and supplies	-	-	327,881	(327,881)
Capital outlay	22,484,225	27,010,514	18,658,484	8,352,030
Total expenditures	23,783,506	27,476,484	19,399,083	8,077,401
Excess (deficiency) of revenues over (under) expenditures	(23,783,506)	(27,476,484)	(18,242,611)	9,233,873
Other financing sources (uses):				
Proceeds from bond issuances	45,000,000	45,000,000	45,000,000	-
Transfers in	2,269,495	2,269,495	2,269,495	-
Transfers out	-	-	-	-
Total other financing sources (uses)	47,269,495	47,269,495	47,269,495	-
Net change in fund balance	23,485,989	19,793,011	29,026,884	9,233,873
Fund balance beginning	-	-	-	-
Prior period adjustment - General Fund	(5,248,837)	(5,248,837)	(5,248,837)	-
Fund balance beginning - as adjusted	(5,248,837)	(5,248,837)	(5,248,837)	-
Fund balance ending	\$ 18,237,152	\$ 14,544,174	\$ 23,778,047	\$ 9,233,873

Midpeninsula Regional Open Space District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
Debt Service Fund
For the Fifteen Month Period Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ 1,776,606	\$ 1,776,606
Grant income	-	-	-	-
Property management	-	-	-	-
Investment earnings	-	-	26,740	26,740
Other revenues	-	-	-	-
Total revenues	-	-	1,803,346	1,803,346
Expenditures:				
Debt service:				
Principal	4,366,640	4,367,277	4,366,938	339
Interest	6,696,104	6,701,660	6,477,830	223,830
Total expenditures	11,062,744	11,068,937	10,844,768	224,169
Excess (deficiency) of revenues over (under) expenditures	(11,062,744)	(11,068,937)	(9,041,422)	2,027,515
Other financing sources (uses):				
Premiums from bond issuances	2,281,625	2,281,625	2,281,625	-
Transfers in	9,876,063	9,876,063	9,876,063	-
Transfers out	-	-	-	-
Total other financing sources (uses)	12,157,688	12,157,688	12,157,688	-
Net change in fund balance	1,094,944	1,088,751	3,116,266	2,027,515
Fund balance beginning	-	-	-	-
Fund balance ending	\$ 1,094,944	\$ 1,088,751	\$ 3,116,266	\$ 2,027,515

Midpeninsula Regional Open Space District

Schedule of Pension Plan Contributions

June 30, 2016

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

Notes to Schedule:

Valuation Date: June 30, 2014

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

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

Midpeninsula Regional Open Space District
 Schedule of Net Pension Liability Proportionate Shares
 June 30, 2016

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

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

Midpeninsula Regional Open Space District
 Schedule of Funding Progress – Other Postemployment Benefits
 June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
6/30/2011	\$ 2,058,000	\$ 1,844,000	\$ (214,000)	111.61%	\$ 7,331,000	-2.92%
6/30/2013	2,035,000	2,555,000	520,000	79.65%	8,043,000	6.47%
6/30/2015	2,520,000	4,612,000	2,092,000	54.64%	11,049,000	18.93%

The above table is a summary schedule of the funding progress for the District's OPEB plan as stated in each actuarial study. The actuarial studies are based on assumptions and data available at the time each study was completed. The actual funding progress of the plan as noted in Note 7 may be different than the projections included in the actuarial studies.

SUPPLEMENTARY
INFORMATION

Midpeninsula Regional Open Space District

Measure AA Bond Program

Schedule of Program Expenditures

June 30, 2016

Project No.	Project Description	Expenditures from April 1, 2015 through June 30, 2016	Expenditures from Inception through June 30, 2016
20005	New Trail Easement - SFPUC, Ravenswood (MAA 2-2)	\$ -	\$ 22,603
20088	POST Hendry's Creek Restoration (MAA 22-1)	645	41,330
20101	Lysons Property (17-1 MAA)	-	27,059
20102	Lobner Demolition (MAA 17-2)	-	128,760
20109	Riggs Property Appraisal - (3-1 MAA)	-	6,500
20110	Purisima Creek Uplands Lot line Adjustment (3-1 MAA)	-	13,000
20112	Conservation Easement Upper Alpine Ranch Area (15-1 MAA)	-	8,695
20113	Preservation of Upper Los Gatos Creek Watershed (22-1 MAA)	-	5,000
20114	Land Conservation Opportunities MAA 25-1 (Burtons)	-	150
30503	ECDM Trail Improvements (MAA 4-4)	-	3,930
30904	Mindego Area - Mindego Hill Trail (MAA 9-4)	3,625	34,196
31309	Mt Um Bald Mtn Staging to Summit Trail (MAA 23-2)	6,020	17,646
31310	Mt Um Summit Restor & Improv (MAA 23-4)	30,815	79,491
31311	Mt Um Trail Overlook & Bridges (MAA 23-5)	-	243
31500	Measure AA Project 11-1	-	728
65101	PCR Harkins Bridge Replacement (MAA 3-4)	21,901	108,788
65201	Lower Stevens Canyon Hiking Bridge (MAA 17-4)	60,971	103,187
80016	ECdM Creek Watershed Protection Program (MAA 4-3)	-	45,507
80029	Pond DR05 Repair (MAA 7-5)	-	150,682
80037	Mindego Grazing Infrastructure (MAA 9-1)	-	135,748
80038	LHC Grazing Infrastructure - McDonald Ranch Fencing (MAA 5-2)	-	178,850
AA01	Miramontes Ridge - Gateway to San Mateo Coast	6,315	6,315
AA02	Bayfront Habitat Protection & Public Access Partnerships	74,834	74,834
AA03	Purisima Creek Redwoods: Purisma-to Sea Trail, Watershed/Graze	13,180	375,680
AA04	El Corte de Madera Creek: Bike Trail & Water Quality	308,684	308,684
AA05	La Honda Creek - Upper Recreation Area	1,872,574	1,892,574
AA07	Driscoll Ranch Public Access, Wildlife Protection, Grazing	9,915,158	9,915,158
AA09	Russian Ridge: Public Recreation, Grazing & Wildlife Protection	66,241	66,241
AA15	Regional: Redwood Protection & Salmon Fishery Conservation	(12,982)	2,487,018
AA17	Regional: Complete Upper Stevens Creek Trail	27,338	1,497,338
AA19	El Sereno Dog Park & Connections	715	715
AA20	South Bay Foothills: Wildlife Passage/Ridge Trail Improvements	90,038	90,038
AA21	CR:Pub Recreation Proj	330,410	330,410
AA22	Cathedral Oaks Public Access & Conservation	560,364	560,364
AA23	Mt Um Pub Access/Intrep	2,785,549	2,785,549
AA24	Rancho de Guadalupe Family Recreation	300,056	300,056
AA25	Loma Prieta Area Public Access	400,000	410,000
	Total MAA Bond Project Expenditures	16,862,451	22,213,067
	Reimbursements from Grants and Contributions	<u>(1,010,970)</u>	<u>(1,010,970)</u>
	Total MAA Bond Project Expenditures - Net Reimbursements	<u>\$ 15,851,481</u>	<u>\$ 21,202,097</u>

Midpeninsula Regional Open Space District

Notes to Supplementary Information

June 30, 2016

NOTE 1 - BACKGROUND

Measure AA is a \$300 million general obligation bond approved in June 2014 by over two-thirds of Midpen voters. Proceeds from bonds, which will be sold in a series over approximately the next 20-30 years, will be used to:

- Protect natural open space lands
- Open preserves or areas of preserves that are currently closed
- Construct public access improvements such as new trails and staging areas
- Restore and enhance open space land, which includes forests, streams, watersheds, and coastal ranch areas.

On July 29, 2015, the District issued \$40,000,000 of 2015A general obligation bonds and \$5,000,000 of 2015B federally taxable general obligation bonds to finance certain projects authorized by voters. The bonds bear interest from 1.5% to 5% and are due semi-annually on March 1 and September 1. The bonds were issued at a premium of \$2,559,224 with an underwriter's discount of \$107,599 and issuance costs of \$170,000.

Land acquisition is the first step to open space conservation. The Vision Plan identified 50,000 acres of open space land that, when conserved, would significantly improve wildlife conditions, wetlands, watersheds, creeks, sensitive plant communities and healthy outdoor recreation. As of January 2016, Midpen has acquired 1,003 acres of land with \$12,842,500 in funding support from Measure AA Funds.

NOTE 2 - OVERSIGHT COMMITTEE

The Oversight Committee is essential to implementing Measure AA and will consist of seven at-large members who reside within the District. The Committee convenes at least once a year and reviews annual Measure AA expenditures and Midpen's Annual Audit and Accountability report. Each year, the Committee's findings will be presented to the Board at a public meeting and will be posted on the District's website.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of accounting utilized in preparation of this report may differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying program statement is not intended to present the financial position and the results of operations in conformity with accounting principles generally accepted in the United States of America. Expenditures incurred with Measure AA Bond proceeds are recorded on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measurable and available. Similarly, expenses are recognized when they are incurred, not when they are paid.

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
Midpeninsula Regional Open Space District
Los Altos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District as of and for the period ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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



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 CP

September 10, 2016
San Jose, California