

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**

**FINANCIAL STATEMENTS**

**June 30, 2021**

## Exhibit B

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Exhibit B

**FINANCIAL SECTION**

## Exhibit B



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Santa Clara Valley Open Space Authority, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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.

### Auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Santa Clara Valley Open Space Authority, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 8, the budgetary information on pages 29 and 30, the schedule of proportionate share of net pension liability on page 31, and the schedule of pension contribution on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of the Santa Clara Valley Open Space Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Moss, Remy & Haugheim LLP*

Santa Maria, California  
October 6, 2021



**Santa Clara Valley Open Space Authority**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

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**INTRODUCTION**

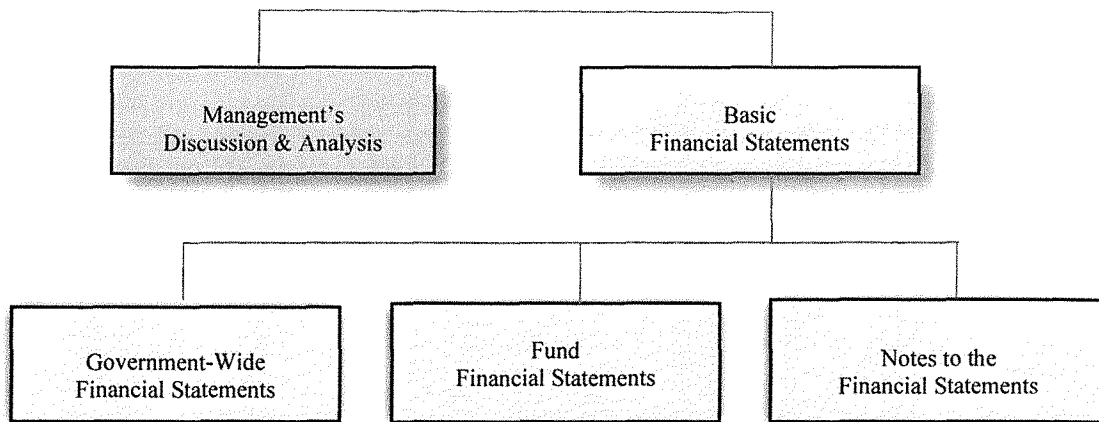
The Management's Discussion and Analysis (MD&A) is a required section of the Authority's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2021. This report will (1) focus on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the Authority's operations and financial standing.

**USING THE ANNUAL REPORT**

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

**Required Components of the Annual Financial Report**



The view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2020 - 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

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

## **Santa Clara Valley Open Space Authority** Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

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

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2021 were as follows:

- Total net position increased by \$20,236,234, from 2020 to 2021 primarily due to an increase in grants and assessment revenues.
- Capital assets, net of accumulated depreciation, increased by \$17,501,176 as a result of additions to capital assets from land purchases, construction in progress, and vehicles.
- Total deferred inflows decreased by \$1,000,171 mainly due to recognizing unearned revenue from grant prepayments that were received in the prior year.

### **REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS**

#### **Fund Financial Statements**

The analysis of the Authority's fund financial statements begins on page 11. Fund financial reports provide detailed information about the Authority's major funds. The Authority uses one operating fund, the Assessment District No.1 Fund, to account for a multitude of financial transactions.

#### **Governmental Funds**

The Assessment District No. 1 Fund is a governmental fund type and is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

# Exhibit B

## Santa Clara Valley Open Space Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's net position as of June 30, 2021 as compared to June 30, 2020:

Table 1 – Summary of Statement of Net Position				
Description	2021	2020	Change	Percentage Change
<b>Assets</b>				
Current Assets	56,835,363	54,864,784	1,970,579	3.59%
Capital Assets - Net	105,051,953	87,550,777	17,501,176	19.99%
<b>Total Assets</b>	<b>161,887,316</b>	<b>142,415,561</b>	<b>19,471,755</b>	<b>13.67%</b>
<b>Deferred Outflows</b>	<b>818,647</b>	<b>782,825</b>	<b>35,822</b>	<b>4.58%</b>
<b>Liabilities</b>				
Current Liabilities	777,309	696,018	81,291	11.68%
Noncurrent Liabilities	3,129,070	2,938,847	190,223	6.47%
<b>Total Liabilities</b>	<b>3,906,379</b>	<b>3,634,865</b>	<b>271,514</b>	<b>7.47%</b>
<b>Deferred Inflows</b>	<b>4,637,963</b>	<b>5,638,134</b>	<b>(1,000,171)</b>	<b>-17.74%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	105,051,953	87,550,777	17,501,176	19.99%
Restricted	24,204,117	19,194,862	5,009,255	26.10%
Unrestricted	24,905,551	27,179,748	(2,274,197)	-8.37%
<b>Total Net Position</b>	<b>154,161,621</b>	<b>133,925,387</b>	<b>20,236,234</b>	<b>15.11%</b>

Total net position increased by \$20,236,234. Total assets increased by \$19,471,755 and total liabilities increased by \$271,514. Net investment in capital assets increased by \$17,501,176 as a result of additions to capital assets from land purchases, construction in progress, and vehicles.

# Exhibit B

## Santa Clara Valley Open Space Authority

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Table 2 shows the changes in net position for fiscal year 2021 as compared to 2020.

Table 2 - Summary of Changes in Net Position				
Description	2021	2020	Change	Percentage Change
<b>Revenues</b>				
Program revenues:				
Operating grants and contributions	124,865	35,182	89,683	254.91%
Capital grants and contributions	18,542,255	2,115,409	16,426,846	776.53%
General revenues:				
District 1 Assessments	4,353,055	4,332,285	20,770	0.48%
Measure Q Assessments	7,990,008	7,963,968	26,040	0.33%
Investment Income	488,156	832,988	(344,832)	-41.40%
Other Revenues	526,290	281,567	244,723	86.91%
<b>Total Revenues</b>	<b>32,024,629</b>	<b>15,561,399</b>	<b>16,463,230</b>	<b>105.80%</b>
<b>Program Expenses</b>				
Administration	5,300,157	2,594,056	2,706,101	104.32%
Public Affairs	1,000,061	956,592	43,469	4.54%
Planning	554,835	1,262,289	(707,454)	-56.05%
Conservation Initiatives & Grants	1,353,127	732,890	620,237	84.63%
Land Management	3,053,026	2,207,399	845,627	38.31%
20% Funding Program	-	121,850	(121,850)	-100.00%
Depreciation	527,189	494,866	32,323	6.53%
<b>Total Expenses</b>	<b>11,788,395</b>	<b>8,369,942</b>	<b>3,418,453</b>	<b>40.84%</b>
<b>Change in Net Position</b>	<b>20,236,234</b>	<b>7,191,457</b>	<b>13,044,777</b>	<b>181.39%</b>
<b>Beginning Net Position</b>	<b>133,925,387</b>	<b>126,733,930</b>	<b>7,191,457</b>	<b>5.67%</b>
<b>Ending Net Position</b>	<b>154,161,621</b>	<b>133,925,387</b>	<b>20,236,234</b>	<b>15.11%</b>

Program revenues increased because the Authority had received one-time state and local grants for capital projects in the current year. Most of the Authority's revenue is derived from benefit assessments which are handled by the County of Santa Clara.

# Exhibit B

## Santa Clara Valley Open Space Authority

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

### THE AUTHORITY'S FUND BALANCE

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

Table 3 - Summary of Fund Balance				
Description	2021	2020	Change	Percentage Change
Assessment District 1 Fund	11,890,570	11,873,547	17,023	0.14%
Capital Reserve Fund	15,716,588	17,625,352	(1,908,764)	-10.83%
Measure Q Fund	22,974,688	19,194,862	3,779,826	19.69%
Grant Fund	1,029,429	29,429	1,000,000	3398.01%
<b>Total Fund Balance</b>	<b>51,611,275</b>	<b>48,723,190</b>	<b>2,888,085</b>	<b>5.93%</b>

### ASSESSMENT DISTRICT NO. 1 FUND BUDGETING HIGHLIGHTS

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

Changes from the Authority's General Fund 2020/2021 original budget to the final budget are detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended. The final budgeted revenue was \$4,661,951. The final budgeted expenditures and other uses of funds were \$6,002,419.

### CAPITAL ASSETS

Table 4 shows June 30, 2021 capital asset balances as compared to June 30, 2020.

Table 4 - Summary of Capital Assets Net of Depreciation				
Description	2021	2020	Change	Percentage Change
Land	97,273,095	80,162,402	17,110,693	21.35%
Construction in Progress	1,516,353	785,545	730,808	93.03%
Land Improvements	3,259,580	3,172,693	86,887	2.74%
Buildings	5,511,750	5,511,750	-	0.00%
Furniture and fixtures	179,447	179,447	-	0.00%
Vehicles	874,660	780,183	94,477	12.11%
Accumulated Depreciation	(3,562,932)	(3,041,243)	(521,689)	-17.15%
<b>Total Capital Assets, Net</b>	<b>105,051,953</b>	<b>87,550,777</b>	<b>17,501,176</b>	<b>19.99%</b>

## **Santa Clara Valley Open Space Authority**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Board of Directors adopted the Authority's budget for fiscal year 2022 on June 10, 2021. This budget assumes an increase of \$391,095 in assessment income from fiscal year 2021 to fiscal year 2022. The budget assumes the acquisition of \$7.73 million of new land and \$4.29 million of other capital spending. Operating expenditures are budgeted at \$7.56 million. If all revenues and expenditures occur as budgeted, the Authority's cash position would decrease by \$12.1 million in fiscal year 2022.

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact the General Manager, Santa Clara Valley Open Space Authority, 33 Las Colinas Lane, San Jose, CA 95119.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**STATEMENT OF NET POSITION**  
June 30, 2021

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 53,893,261
Interest receivable	88,070
Account receivable	474,712
Prepaid expenses	230
Deposit on easement	2,379,090
Capital assets:	
Nondepreciable	98,789,448
Depreciable, net	<u>6,262,505</u>
 Total assets	 <u>161,887,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>818,647</u>
 Total deferred outflows of resources	 <u>818,647</u>
<b>LIABILITIES</b>	
Accounts payable	427,037
Payroll and other liabilities	165,661
Current portion of compensated absences	184,611
Noncurrent liabilities	
Compensated absences	183,711
Fund program liability	2,023,831
Net pension liability	<u>921,528</u>
 Total liabilities	 <u>3,906,379</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	6,573
Deferred revenues	<u>4,631,390</u>
 Total deferred inflows of resources	 <u>4,637,963</u>
<b>NET POSITION</b>	
Net investment in capital assets	105,051,953
Restricted for:	
Restricted for Measure Q	22,974,688
Restricted for Grant projects	1,029,429
Restricted for conservation easement stewardship	200,000
Unrestricted	<u>24,905,551</u>
 Total net position	 <u><u>\$ 154,161,621</u></u>

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

# Exhibit B

## SANTA CLARA VALLEY OPEN SPACE AUTHORITY

### STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Contributions	Changes in
			and Grants	Net Position
			and Grants	
Governmental activities:				
Administration	\$ 5,300,157	\$ -	\$ -	\$ (5,300,157)
Public Affairs	1,000,061		105,365	(894,696)
Planning	554,835			(235,491)
Conservation Initiatives & Grants	1,353,127		19,500	16,690,123
Land Management	3,053,026			(2,853,865)
Depreciation	527,189			(527,189)
Total governmental activities	<u>\$ 11,788,395</u>	<u>\$ -</u>	<u>\$ 124,865</u>	<u>\$ 18,542,255</u>
General Revenues				
Taxes:				
District I assessments				4,353,055
Measure Q assessments				7,990,008
Investment income				488,156
Other revenue				<u>526,290</u>
Total general revenues and special items				<u>13,357,509</u>
Change in net position				20,236,234
Net position, beginning of fiscal year				<u>133,925,387</u>
Net position, end of fiscal year				<u>\$ 154,161,621</u>

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



# Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2021

	Assessment District No.1 Fund	Capital Reserve Fund	Measure Q Fund	Grant Fund	Totals
<b>ASSETS</b>					
Cash and investments	\$ 7,016,271	\$ 17,773,217	\$ 24,899,424	\$ 4,204,349	\$ 53,893,261
Interest receivable	17,028	31,874	39,168		88,070
Accounts receivable	174,286			300,426	474,712
Prepaid expenditures	230				230
Deposit on easement			1,379,090	1,000,000	2,379,090
Due from other funds	5,275,453			109,918	5,385,371
Total assets	<u>\$ 12,483,268</u>	<u>\$ 17,805,091</u>	<u>\$ 26,317,682</u>	<u>\$ 5,614,693</u>	<u>\$ 62,220,734</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 427,037	\$ -	\$ -	\$ -	\$ 427,037
Payroll and other liabilities	165,661				165,661
Due to other funds		2,088,503	3,296,868		5,385,371
Total liabilities	<u>592,698</u>	<u>2,088,503</u>	<u>3,296,868</u>		<u>5,978,069</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenues			46,126	4,585,264	4,631,390
Total deferred inflows of resources			<u>46,126</u>	<u>4,585,264</u>	<u>4,631,390</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid expenditures	230				230
Restricted:					
Measure Q projects			22,974,688		22,974,688
Grant projects				1,029,429	1,029,429
Conservation easement stewardship		200,000			200,000
Assigned:					
20% funding program	2,023,831				2,023,831
Capital projects		15,516,588			15,516,588
Unassigned	9,866,509				9,866,509
Total fund balances	<u>11,890,570</u>	<u>15,716,588</u>	<u>22,974,688</u>	<u>1,029,429</u>	<u>51,611,275</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,483,268</u>	<u>\$ 17,805,091</u>	<u>\$ 26,317,682</u>	<u>\$ 5,614,693</u>	<u>\$ 62,220,734</u>

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

# Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2021**

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Total fund balances, governmental funds \$ 51,611,275

Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	108,614,885	
Accumulated depreciation		(3,562,932)	
Net			105,051,953

Long-term liabilities have not been included in the governmental funds activity:

Compensated absences	\$	(368,322)	
Fund program liability		(2,023,831)	
Pension Liability		(921,528)	
Total			(3,313,681)

Deferred outflows and inflows of resources relating to pensions and OPEB:

In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred inflows of resources relating to pensions	\$	(6,573)	
Deferred outflows of resources relating to pensions		818,647	
Net			812,074

Total net position, governmental activities	\$	154,161,621
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The notes to basic financial statements are an integral part of this statement.

# Exhibit B

## SANTA CLARA VALLEY OPEN SPACE AUTHORITY

### GOVERNMENTAL FUNDS

#### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2021

	Assessment District No. 1 Fund	Capital Reserve Fund	Measure Q Fund	Grant Fund	Totals
<b>Revenues:</b>					
Assessments	\$ 4,353,055	\$ -	\$ 7,990,008	\$ -	\$ 12,343,063
Investment income	91,275	179,739	217,142		488,156
Donations	5,365	100,000			105,365
Intergovernmental grants				2,561,755	2,561,755
Other revenues	239,675	71,605	215,010		526,290
Total revenues	<u>4,689,370</u>	<u>351,344</u>	<u>8,422,160</u>	<u>2,561,755</u>	<u>16,024,629</u>
<b>Expenditures:</b>					
Administration	2,625,063	2,260,108	355,426		5,240,597
Public Affairs	737,092		250,317		987,409
Planning	148,552		397,238		545,790
Conservation Initiatives & Grants	324,170		983,368	19,500	1,327,038
Land Management	737,493		2,259,288	1,850	2,998,631
Capital Outlay	99,977		396,697	1,540,405	2,037,079
Total expenditures	<u>4,672,347</u>	<u>2,260,108</u>	<u>4,642,334</u>	<u>1,561,755</u>	<u>13,136,544</u>
Net change in fund balances	17,023	(1,908,764)	3,779,826	1,000,000	2,888,085
Fund balances, July 1	<u>11,873,547</u>	<u>17,625,352</u>	<u>19,194,862</u>	<u>29,429</u>	<u>48,723,190</u>
Fund balances, June 30	<u>\$ 11,890,570</u>	<u>\$ 15,716,588</u>	<u>\$ 22,974,688</u>	<u>\$ 1,029,429</u>	<u>\$ 51,611,275</u>

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

## Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2021**

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Net change in fund balances - governmental funds	\$ 2,888,085
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets 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. This is the amount by which additions to capital assets of \$2,037,079 is greater than depreciation expense of \$527,189 in the period.	1,509,890
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amount used by \$53,203.	(53,203)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The fiscal year, the difference between pension costs and actual employer contributions was:	(99,824)
In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as an increase to capital assets, at their fair value on the date of donation. The fair value of capital assets donated was:	16,000,000
In governmental funds, the entire proceeds from disposal of capital assets are as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	<u>(8,714)</u>
Change in net position - governmental activities	<u>\$ 20,236,234</u>

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

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Santa Clara Valley Open Space Authority (the Authority) was created on February 1, 1993 under California Public Resources Code, Section 35100. The purpose of the Authority is to acquire land through fee title and conservation easement for the preservation of open space, creation of a greenbelt, and to encourage agricultural activities, in an effort to counter the continuing and serious conversion of lands to urban uses. The priorities for such acquisitions were set through a public process that included input from members of the public, the Authority's Citizens' Advisory Committee and the cities and county within the Authority's jurisdiction and culminated in the creation of the Authority's 5-Year Plan.

**B. Reporting Entity**

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

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

There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

**C. Government-wide and Fund 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 nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) the annual benefit assessment that is assessed to all property owners within the Authority's service area and is reported as charges for services, and 2) contract services that represent service zones for service to other agencies or entities for service outside the Authority's current service area. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. Basis of Presentation**

Government-wide Financial Statements:

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Authority does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation (Continued)**

Government-wide Financial Statements (Continued):

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 which are not classified as program revenues are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements:

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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 and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**E. Basis of Accounting**

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

Revenues – exchange and non-exchange transactions:

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

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

Unearned revenue:

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

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Basis of Accounting (Continued)**

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 Authority's policy to use restricted resources first then unrestricted resources as they are needed.

**F. Fund Accounting**

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Authority's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's accounts are organized into four major funds as follows:

Major Governmental Funds:

The *Assessment District No. 1 Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

**G. Budgets and Budgetary Accounting**

The Authority adopts an annual budget on or before July 1 of each fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Directors may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the Assessment District No. 1 Fund and Measure Q Fund.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

**H. Prepaid Items**

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

**I. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the Authority.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**K. Long-term 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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**L. Compensated Absences**

The Authority's personnel policies provide for paid vacation and sick leave (employee benefits) to its employees. Liabilities for vacation leave are recorded when granted up to a maximum of 240 hours. Employees having attained five years of employment are paid one-third of accrued sick leave, up to a 15-day maximum, upon retirement.

**M. Capital Assets**

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

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

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

Land improvements	3-50 years
Buildings	30 years
Furniture and Equipment	3-5 years
Vehicles	5 years

**N. Fund Balances**

Fund balance of the governmental fund is classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Authority's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.



**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balances (Continued)**

Assigned Fund Balance – represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Authority.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**O. Interfund Transactions**

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

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

**P. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the Authority recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Authority has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred outflows of resources the Authority has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority has two items which qualify for reporting in this category; deferred revenue and pension items, please refer to Note 8 for a detailed listing of the deferred inflows for pensions.

**Q. Pensions**

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

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

**S. Benefit Assessment**

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

**T. Future Accounting Pronouncements**

GASB Statements listed below will be implemented in future financial statements:

Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. Future Accounting Pronouncements (Continued)**

Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provision of this statement except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021.
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**NOTE 2 – CASH AND INVESTMENTS**

On June 30, 2021, the Authority had the following cash and investments on hand:

Cash and investments with the County Treasurer	\$ 53,258,272
Cash in bank	634,232
Petty cash	<u>757</u>
Total cash and investments	<u>\$ 53,893,261</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	<u>\$ 53,893,261</u>
Total cash and investments	<u>\$ 53,893,261</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority had investments in the Santa Clara County investment pool, that investment is measured under Level 2.

Cash in County Treasury

The Authority maintains a portion of its cash in Santa Clara County Treasury, an external investment pool. The County pools these funds with those of other governmental entities in the county and invests the cash. These pooled funds are carried at fair value. Interest is earned based on average daily balance and is deposited quarterly into participating funds. Any investment gains and losses are proportionately shared by all funds in the pool. The County is restricted by the California Government Code to invest in obligations issued by the United States Treasury; obligations, participations, or other instruments of or issued by a federal agency or a United States government sponsored enterprise; obligations of State and local agencies of this State; bankers' acceptances; commercial paper; negotiable certificates of deposit; repurchase agreements; medium-term corporate notes; as well as other investments established by the California Government Code. The County's report discloses the required information in accordance with Governmental Accounting Standards Board Statement Nos. 3 and 40. Pooled investments are not required to be categorized by risk category.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk (Continued)

None of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investments securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. Investments in external pools, such as cash in county treasury, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

The Authority's formal investment policy limits investment maturities to a maximum of 5 years as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority manages its exposure to interest rate risk by investing in the Santa Clara County investment pool which had a fair value of approximately \$9.0 billion.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. Santa Clara County Treasury pooled investment funds is governed by the County's general investment policy. The County's investments in 2020-21 included U.S. government securities or obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk exposure.

Concentration of Credit Risk

The Authority's investment policy limits the investment in one issuer to 5% of the portfolio. The Authority was not exposed to concentration of credit risk because it had no investments in any one issuer that exceeded 5% of its total investment portfolio. The Authority's investments in Santa Clara County Treasury are 100% of total investments.

**NOTE 3 – CAPITAL ASSETS**

**Governmental activities**

	Balance July 1	Increases	Deletions	Transfers	Balance June 30
<b>Nondepreciable capital assets:</b>					
Land	\$ 80,162,402	\$ 17,110,693	\$ -	\$ -	\$ 97,273,095
Construction in Progress	785,545	826,409	8,714	(86,887)	1,516,353
<b>Total nondepreciable capital assets</b>	<b>\$ 80,947,947</b>	<b>\$ 17,937,102</b>	<b>\$ 8,714</b>	<b>\$ (86,887)</b>	<b>\$ 98,789,448</b>
<b>Depreciable capital assets:</b>					
Land improvements	\$ 3,172,693	\$ -	\$ -	\$ 86,887	\$ 3,259,580
Buildings	5,511,750				5,511,750
Furniture and fixtures	179,447				179,447
Vehicles	780,183	99,977	5,500		874,660
<b>Total depreciable capital assets</b>	<b>9,644,073</b>	<b>99,977</b>	<b>5,500</b>	<b>86,887</b>	<b>9,825,437</b>
<b>Less accumulated depreciation</b>	<b>3,041,243</b>	<b>527,189</b>	<b>5,500</b>		<b>3,562,932</b>
<b>Net depreciable capital assets</b>	<b>\$ 6,602,830</b>	<b>\$ (427,212)</b>	<b>\$ -</b>	<b>\$ 86,887</b>	<b>\$ 6,262,505</b>
<b>Net capital assets</b>	<b>\$ 87,550,777</b>	<b>\$ 17,509,890</b>	<b>\$ 8,714</b>	<b>\$ -</b>	<b>\$ 105,051,953</b>

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY****NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2021

**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2021, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
Assessment District 1 Fund	\$ 5,275,453	\$ -
Capital Reserve Fund		2,088,503
Measure Q Fund		3,296,868
Grant Fund	109,918	
	<u>109,918</u>	<u>5,385,371</u>
Totals	<u>\$ 5,385,371</u>	<u>\$ 5,385,371</u>

**NOTE 5 – FUNDING PROGRAM LIABILITY**

The 20% Funding Program was established to assist participating jurisdictions with their own urban open space programs. The Five-Year Plan defines participating jurisdictions to consist of the cities of the County not within the Midpeninsula Open Space Authority's boundaries. The program is funded with 20% of the Authority's capital fund expenditures; the primary objective of which is for the acquisition of open space in urban areas. Recognizing that opportunities for land acquisition is limited or unavailable within urban areas, funds may be used for environmental restoration and/or site development projects that provide or enhance open space. The liability and assigned fund balance as of June 30, 2021 was as follows:

<u>Government Agency</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Project Completion Distributions</u>	<u>Balance June 30, 2021</u>
City of Campbell	\$ 46,721	\$ -	\$ -	\$ 46,721
City of Milpitas	197,806			197,806
City of Morgan Hill	38,442			38,442
City of San Jose	1,344,231			1,344,231
City of Santa Clara	55,346			55,346
Santa Clara County	341,285			341,285
	<u>341,285</u>	<u>                    </u>	<u>                    </u>	<u>341,285</u>
Total	<u>\$ 2,023,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,831</u>

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 6 – LONG-TERM LIABILITIES**

**Changes in long-term liabilities**

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2021:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 315,119	\$ 303,734	\$ 250,531	\$ 368,322	\$ 184,611
20% funding liability	2,023,831			2,023,831	
Net pension liability	762,146	487,865	328,483	921,528	
Governmental activities					
Long-term liabilities	\$ 3,101,096	\$ 791,599	\$ 579,014	\$ 3,313,681	\$ 184,611

**NOTE 7 – JOINT VENTURES (JOINT POWERS AGREEMENTS)**

The Authority is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the Special Authority Risk Management Authority (SDRMA). During the fiscal year June 30, 2021, the Authority had up to \$100 million per occurrence for workers compensation and \$5 million for employer's liability coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage from SDRMA.

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

**NOTE 8 – PENSION PLAN**

**A. General Information about the Pension Plan**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority 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 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 8 – PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plan (Continued)**

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.484% +\$49,913	7.732% +\$26,247

*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 is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Authority were \$456,072 for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the Authority reported a liability of \$921,528 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2020, the Authority's proportion was 0.02185%, which increased by 0.00281% from June 30, 2019.

For the year ended June 30, 2021, the Authority recognized pension expense of \$555,896. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 456,072	\$ -
Differences between expected and actual experience	47,489	
Changes in assumptions		6,573
Net difference between projected and actual earnings on retirement plan investments	27,375	
Adjustment due to differences in proportions	138,790	
Difference in actual contributions and proportionate share of contributions	148,921	
	<u>\$ 818,647</u>	<u>\$ 6,573</u>

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 8 – PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$456,072 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2022	\$ 167,801
2023	117,016
2024	58,057
2025	13,128
	<u>\$ 356,002</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 experience study report.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.



**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 8 – PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Discount Rate (Continued)*

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. 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 No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation.

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 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 were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 8 – PENSION PLAN (CONTINUED)**

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

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Authority's proportionate share of the net pension plan liability	\$ 1,788,424	\$ 921,528	\$ 205,240

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2021, the Authority had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2021.

**NOTE 9 – SUBSEQUENT EVENT**

Subsequent to June 30, 2021, the Authority purchased 3 parcels of land for \$4,800,000, \$1,775,000 and \$1,210,500.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Exhibit B

# Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE**  
**ASSESSMENT DISTRICT NO.1 FUND**  
**For the Fiscal Year Ended June 30, 2021**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Assessments	\$ 4,373,501	\$ 4,373,501	\$ 4,353,055	\$ (20,446)
Investment income	100,000	100,000	91,275	(8,725)
Donations			5,365	5,365
Other revenues	188,450	188,450	239,675	51,225
Total revenues	4,661,951	4,661,951	4,689,370	27,419
<b>Expenditures:</b>				
Administration	3,190,137	3,190,137	2,625,063	565,074
Public Affairs	805,237	805,237	737,092	68,145
Planning	145,499	145,499	148,552	(3,053)
Conservation Initiatives & Grants	930,061	930,061	324,170	605,891
Land Management	735,485	735,485	737,493	(2,008)
Capital outlay	196,000	196,000	99,977	96,023
Total expenditures	6,002,419	6,002,419	4,672,347	1,330,072
Net changes in fund balance	(1,340,468)	(1,340,468)	17,023	1,357,491
Fund balance, July 1	11,873,547	11,873,547	11,873,547	
Fund balance, June 30	\$ 10,533,079	\$ 10,533,079	\$ 11,890,570	\$ 1,357,491

# Exhibit B

## SANTA CLARA VALLEY OPEN SPACE AUTHORITY

### BUDGETARY COMPARISON SCHEDULE

#### MEASURE Q FUND

For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Assessments	\$ 8,035,104	\$ 8,035,104	\$ 7,990,008	\$ (45,096)
Investment income	150,000	150,000	217,142	67,142
Other revenues	115,573	115,573	215,010	99,437
Total revenues	8,300,677	8,300,677	8,422,160	121,483
<b>Expenditures:</b>				
Administration	840,416	840,416	355,426	484,990
Public Affairs	406,744	406,744	250,317	156,427
Planning	614,321	614,321	397,238	217,083
Conservation Initiatives & Grants	2,304,550	2,304,550	983,368	1,321,182
Land Management	2,705,355	2,705,355	2,259,288	446,067
Capital outlay	6,959,000	6,959,000	396,697	6,562,303
Total expenditures	13,830,386	13,830,386	4,642,334	9,188,052
Net changes in fund balance	(5,529,709)	(5,529,709)	3,779,826	9,309,535
Fund balance, July 1	19,194,862	19,194,862	19,194,862	
Fund balance, June 30	\$ 13,665,153	\$ 13,665,153	\$ 22,974,688	\$ 9,309,535

# Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years\*  
 As of June 30, 2021

The following table provides required supplementary information regarding the Authority's Pension Plan.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability	0.00847%	0.00744%	0.00649%	0.00659%
Proportionate share of the net pension liability	\$ 921,528	\$ 762,146	\$ 625,437	\$ 654,031
Covered payroll	\$ 3,389,687	\$ 2,978,785	\$ 2,554,352	\$ 2,468,440
Proportionate share of the net pension liability as percentage of covered payroll	27.2%	25.6%	24.5%	26.5%
Plan's total pension liability	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332
Plan's fiduciary net position	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Proportion of the net pension liability	0.00577%	0.00789%	0.00557%	
Proportionate share of the net pension liability	\$ 499,473	\$ 541,769	\$ 346,849	
Covered payroll	\$ 2,442,660	\$ 2,143,596	\$ 1,459,746	
Proportionate share of the net pension liability as percentage of covered payroll	20.4%	25.3%	23.8%	
Plan's total pension liability	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631	
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515	
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%	

**Notes to Schedule:**

Changes in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

\*- Fiscal year 2015 was the 1st year of implementation, thus only seven years are shown.

# Exhibit B

**SANTA CLARA VALLEY OPEN SPACE AUTHORITY**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
 Last 10 Years\*  
 As of June 30, 2021

The following table provides required supplementary information regarding the Authority's Pension Plan.

	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 456,072	\$ 328,483	\$ 331,657	\$ 301,654
Contribution in relation to the actuarially determined contributions	456,072	328,483	331,657	301,654
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,348,067	\$ 3,389,687	\$ 2,978,896	\$ 2,554,352
Contributions as a percentage of covered payroll	10.49%	9.69%	11.13%	11.81%
	2017	2016	2015	
Contractually required contribution (actuarially determined)	\$ 319,350	\$ 308,227	\$ 192,716	
Contribution in relation to the actuarially determined contributions	319,350	308,227	192,716	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,468,440	\$ 2,442,660	\$ 2,143,596	
Contributions as a percentage of covered payroll	12.94%	12.62%	8.99%	

**Notes to Schedule**

Valuation Date:	6/30/2014
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll.
Discount rate	7.50%
Amortization growth rate	3.75%
Price inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

Valuation Date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate:	7.000%	7.250%	7.375%	7.65%
Inflation:	2.500%	2.625%		

\*- Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Santa Clara Valley Open Space Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 6, 2021.

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Moss, Levy & Haugheim LLP*

Santa Maria, California  
October 6, 2021