# SAN DIEGUITO RIVER VALLEY
# REGIONAL OPEN SPACE PARK
# JOINT POWERS AUTHORITY

Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

(With Independent Auditors' Report Thereon)

SAN DIEGUITO RIVER VALLEY
REGIONAL OPEN SPACE PARK JOINT POWERS AUTHORITY

Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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Davis Farr LLP
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Board of Directors
San Dieguito River Valley
Regional Open Space Park Joint Powers Authority
San Diego, California

# Independent Auditors' Report

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority (the JPA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the JPA'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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

***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 JPA, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, *budgetary comparison information, Schedule of the Plan's Proportioned Share of the Net Pension Liability (Cost Sharing Plan),* and the *Schedule of Plan Contributions (Cost Sharing Plan)* 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 May 11, 2018 on our consideration of the JPA'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 JPA's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
May 11, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority ("JPA"), we offer readers of the JPA's financial statements this narrative overview and analysis of the financial activities of the JPA for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the JPA's basic financial statements, which begin immediately following this analysis. This annual financial report consists of three main parts (1) Management's Discussion and Analysis, (2) Basic Financial Statements, and (3) Other Required Supplementary Information.

These financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-Management Discussion and Analysis for State and Local Governments*.

## FINANCIAL HIGHLIGHTS

- The JPA's ending net position was $55,804,836.
- The change in net position for the year was a decrease of $585,120.
- The JPA had revenues in excess of expenses in the general fund (before Transfers) in the amount of $29,690 in the current year.
- The JPA had $107,841 of additions to capital assets this year.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the JPA's basic financial statements. The JPA's basic financial statements are comprised of the following:

The basic financial statements include government-wide financial statements and fund financial statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The JPA as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the JPA's most significant funds – not the JPA as a whole is provided in the fund financial statements. Funds are accounting devices the JPA uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position,* a government-wide statement, presents information on all of the JPA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the JPA is improving or deteriorating.

## OVERVIEW OF FINANCIAL STATEMENTS (continued)

The *Statement of Activities*, a government-wide statement, presents information showing how the JPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues*, *Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* and this Discussion and Analysis support these financial statements.

In addition to the basic financial statements and notes this report also presents required supplementary information, budgetary comparison schedules, net pension liability and plan contributions.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the JPA's Net Position reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The JPA uses these capital assets to provide services to its constituents; consequently, these assets are not available for future spending.

### *Statement of Net Position*

To begin our analysis, a summary of the JPA's statement of net position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the JPA, assets exceeded liabilities by $55,804,836 as of June 30, 2017.

The JPA's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### TABLE 1
### Condensed Statement of Net position

| | 2017 | 2016 | Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current and other assets | $3,977,845 | 3,381,700 | 596,145 |
| Capital assets, net of depreciation | 54,110,429 | 54,868,882 | (758,453) |
| Total Assets | 58,088,274 | 58,250,582 | (162,308) |
| **DEFERRED OUTFLOWS** | | | |
| **OF RESOURCES** | 1,110,576 | 400,237 | 710,339 |
| **LIABILITIES** | | | |
| Current liabilities | 645,506 | 334,851 | 310,655 |
| Long-term liabilities | 2,515,491 | 1,635,587 | 879,904 |
| Total Liabilities | 3,160,997 | 1,970,438 | 1,190,559 |
| **DEFERRED INFLOWS** | | | |
| **OF RESOURCES** | 233,017 | 290,425 | (57,408) |
| **NET POSITION:** | | | |
| Investment in capital assets | 54,110,429 | 54,868,882 | (758,453) |
| Restricted for: | | | |
| Endowments | 1,982,268 | 1,982,268 | - |
| Future management and maintenance | 885,321 | 229,548 | 655,773 |
| Unrestricted | (1,173,182) | (690,742) | 482,440 |
| Total Net Position | $55,804,836 | 56,389,956 | 585,120 |

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

***Statement of Activities***

- The JPA's total revenues for the fiscal year ended June 30, 2017, excluding inter-fund transfers, decreased by $68,782.
- The JPA's total expenses increased by $194,524.
- The change in net position for 2017 was a decrease of $585,120 compared to 2016.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2017:

**TABLE 2**
**Condensed Statement of Activities**

| | 2017 | 2016 | Change |
|---|---|---|---|
| Program revenues | | | |
| Operating grants and contributions | $435,165 | 1,013,340 | (578,175) |
| General revenues | | | |
| Assessments-members | 959,910 | 921,810 | 38,100 |
| Investment income | 259,566 | (13,893) | 273,459 |
| Donations | 254,142 | 56,648 | 197,494 |
| Miscellaneous | 464 | 124 | 340 |
| Total revenues | 1,909,247 | 1,978,029 | (68,782) |
| Expenses | | | |
| Operations | 2,196,819 | 1,941,187 | 255,632 |
| General administration | 297,548 | 358,656 | (61,108) |
| Total expenses | 2,494,367 | 2,299,843 | 194,524 |
| Change in net position | (585,120) | (321,814) | 263,306 |
| Net position, beginning | 56,389,956 | 56,711,770 | (321,814) |
| Net position, ending | $55,804,836 | 56,389,956 | (585,120) |

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### *General Fund Budgetary Highlights*

The General fund revenues exceeded budgeted amounts by $231,780. This was due to several large donations not budgeted for.

The JPA expenditures were $94,106 under budgeted amounts due to a vacant staff position and various operating expenses coming in under budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**TABLE 3**
**Changes in Capital Assets**

| | 2017 | 2016 | Change |
|---|---|---|---|
| Land | $43,727,783 | 43,727,783 | - |
| Improvement of sites | 16,770,671 | 16,770,671 | - |
| Furniture and equipment | 433,395 | 325,554 | 107,841 |
| Less: accumulated depreciation | (6,821,420) | (5,955,126) | (866,294) |
| Total capital assets, net of depreciation | $54,110,249 | 54,868,882 | (758,453) |

The JPA had $107,841 of additions to capital assets during the fiscal year ended June 30, 2017. The purchases were for a Century portable restroom, a trailer to haul equipment, John Deere tractor, and a 2017 Chevrolet Silverado pickup.

## CAPITALS ASSET AND DEBT ADMINISTRATION (continued)

### *Long-Term Debt*

The JPA has long-term debt in the amount of $2,550,683, of which $40,013 is accumulated unpaid employee vacation benefits and $2,186,365 is for the net pension liability under GASB Statement No. 68 and $324,305 is for pension obligation bonds.

## FACTORS BEARING ON THE JPA'S FUTURE

The JPA's Board of Directors and management considered many factors when setting the fiscal year 2017 budget. The Board appointed a Budget Committee which met to assess the available working capital, the operating and capital needs of the JPA, the impact of the State's fiscal condition on the JPA's member agencies and on the JPA's budget.

## CONTACTING THE JPA

This financial report is designed to provide our citizens, member agencies, affiliated entities and creditors with a general overview of the JPA's finances and to demonstrate the JPA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the San Dieguito River Valley Regional Open Space Park Joint Powers Authority:

Address: 18372 Sycamore Creek Road, Escondido, California 92025.
Telephone: 858 674-2270
Website: www.sdrp.org

BASIC FINANCIAL STATEMENTS

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2017

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Cash and cash equivalents (note 2) | $ 1,072,649 |
| Restricted cash and cash equivalents (note 2) | 14,864 |
| Investments (note 2) | 2,852,725 |
| Accounts receivable | 34,432 |
| Interest receivable | 3,175 |
| Capital assets, net of depreciation (note 3) | 54,110,429 |
| Total assets | 58,088,274 |
| **Deferred outflow of resources:** | |
| Deferred outflow of resources - pension related | 1,110,576 |
| | 1,110,576 |
| **Liabilities:** | |
| Accounts payable | 19,004 |
| Accrued liabilities | 14,777 |
| Unearned revenue | 572,588 |
| Due to other governments | 3,945 |
| Long-term liabilities (note 4 and 7): | |
| Due within one year: | |
| Pension obligation bonds | 25,189 |
| Compensated absences | 10,003 |
| Due beyond one year: | |
| Pension obligation bonds | 299,116 |
| Compensated absences | 30,010 |
| Net pension liability | 2,186,365 |
| Total liabilities | 3,160,997 |
| **Deferred inflow of resources:** | |
| Deferred inflow of resources - pension related | 233,017 |
| **Net position (deficit):** | |
| Investment in capital assets | 54,110,429 |
| Restricted for: | |
| Endowments | 1,982,268 |
| Future Management and Maintenance | 885,321 |
| Unrestricted | (1,173,182) |
| Total net position | $ 55,804,836 |

See accompanying notes to the basic financial statements

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Statement of Activities
For the Fiscal Year Ended June 30, 2017

| | | Program Revenues | | | Net (Expense) |
|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | Revenue and Changes in Net Assets - Governmental Activities |
| Governmental activities: | | | | | |
| Operations | $ 2,196,819 | - | 435,165 | - | (1,761,654) |
| General government | 297,548 | - | - | - | (297,548) |
| Total governmental activities | $ 2,494,367 | - | 435,165 | - | (2,059,202) |
| General revenues: | | | | | |
| Assessments | | | | | 959,910 |
| Investment income (loss) | | | | | 259,566 |
| Donations | | | | | 254,142 |
| Miscellaneous | | | | | 464 |
| Total general revenues | | | | | 1,474,082 |
| Change in net position | | | | | (585,120) |
| Net position, beginning of year | | | | | 56,389,956 |
| Net position, end of year | | | | | $ 55,804,836 |

See accompanying notes to the basic financial statements

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Governmental Funds
Balance Sheet
June 30, 2017

| | General Fund | Permanent Fund | Total Governmental Funds |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | $ 1,072,649 | - | 1,072,649 |
| Restricted cash and cash equivalents | - | 14,864 | 14,864 |
| Investments | - | 2,852,725 | 2,852,725 |
| Accounts receivable | 34,432 | - | 34,432 |
| Interest receivable | 3,175 | - | 3,175 |
| Total assets | $ 1,110,256 | 2,867,589 | 3,977,845 |
| Liabilities and Fund Balance | | | |
| Liabilities: | | | |
| Accounts payable | $ 19,004 | - | 19,004 |
| Accrued liabilities | 14,777 | - | 14,777 |
| Due to other governments | 3,945 | | 3,945 |
| Unearned revenue | 572,588 | - | 572,588 |
| Total liabilities | 610,314 | - | 610,314 |
| Fund balance: | | | |
| Nonspendable: | | | |
| Endowments | - | 1,982,268 | 1,982,268 |
| Restricted for: | | | |
| Future Management and Maintenance | - | 885,321 | 885,321 |
| Unassigned | 499,942 | - | 499,942 |
| Total fund balance | 499,942 | 2,867,589 | 3,367,531 |
| Total liabilities and fund balance | $ 1,110,256 | 2,867,589 | 3,977,845 |

See accompanying notes to the basic financial statements

# SAN DIEGUITO RIVER VALLEY REGIONAL
# OPEN SPACE PARK JOINT POWERS AUTHORITY
## Governmental Funds
## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
## June 30, 2017

| | |
|---|---|
| Fund balances of governmental funds | $ 3,367,531 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| *Capital Related Items* | |
| When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of San Dieguito River Valley as a whole. | |
| Capital assets | 60,931,849 |
| Accumulated depreciation | (6,821,420) |
| *Long-Term Debt Transactions* | |
| Long-term liabilities applicable to San Dieguito River Valley's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. | |
| Net pension liability | (2,186,365) |
| Pension obligation bonds payable | (324,305) |
| Compensated absences | (40,013) |
| *Deferred Outflows and Inflows of Resources* | |
| Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental funds. | |
| Deferred outflows - pension related items | 1,110,576 |
| Deferred inflows - pension related items | (233,017) |
| Net position of governmental activities | $ 55,804,836 |

See accompanying notes to the basic financial statements.

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

| Revenues: | General Fund | Permanent Fund | Total Governmental Funds |
|---|---|---|---|
| Assessments | $ 959,910 | - | 959,910 |
| Contracts and grants | 435,165 | - | 435,165 |
| Investment income (loss) | 1,078 | 258,488 | 259,566 |
| Donations | 254,142 | - | 254,142 |
| Miscellaneous | 464 | - | 464 |
| Total revenues | 1,650,759 | 258,488 | 1,909,247 |
| Expenditures: | | | |
| General government: | | | |
| Salaries and benefits | 1,074,473 | - | 1,074,473 |
| Auto and travel | 11,178 | - | 11,178 |
| Professional and contracted services | 136,275 | - | 136,275 |
| Operating | 374,380 | - | 374,380 |
| Debt service: | | | |
| Principal | 4,932 | - | 4,932 |
| Interest | 19,831 | - | 19,831 |
| Total expenditures | 1,621,069 | - | 1,621,069 |
| Excess (deficiency) of revenues over (under) expenditures | 29,690 | 258,488 | 288,178 |
| Other Financing Sources (Uses): | | | |
| Transfers in (note 5) | 66,549 | 463,834 | 530,383 |
| Transfers out (note 5) | (463,834) | (66,549) | (530,383) |
| Total other financing sources (uses) | (397,285) | 397,285 | - |
| Net change in fund balances | (367,595) | 655,773 | 288,178 |
| Fund balances at beginning of year | 867,537 | 2,211,816 | 3,079,353 |
| Fund balances at end of year | $ 499,942 | 2,867,589 | 3,367,531 |

See accompanying notes to the basic financial statements.

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

| | |
|---|---|
| Net changes in fund balances - total governmental funds | $ 288,178 |

Amounts reported for governmental activities in the Statement of Activities are different because:

*Capital Related Items*

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---|---|
| Capital expenditures | 107,841 |
| Depreciation expense | (866,294) |

*Long-Term Debt Transactions*

Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

| | |
|---|---|
| Net change in net pension liability and related accounts | (119,924) |
| Net change in pension obligation bonds | 4,932 |
| Net change in compensated absences | 147 |
| Change in net position of governmental activities | $ (585,120) |

See accompanying notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

# FUND FINANCIAL STATEMENTS

## (1) Summary of Significant Accounting Policies

The financial statements of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### Description of the Reporting Entity

The County of San Diego and the cities of Del Mar, Escondido, Poway, San Diego and Solana Beach formed the San Dieguito River Valley Regional Open Space Park Joint Powers Authority on June 12, 1989. The JPA was created to provide a coordinated program to create, preserve and enhance the San Dieguito River Valley Regional Open Space Park for the benefit of the public. As mandated by the Joint Powers Agreement, the JPA's goal is to:

- Preserve land within the focused planning area of the San Dieguito River Valley as a regional open space greenbelt and park system that protects the natural waterways and the natural and cultural resources and sensitive lands and provides compatible recreational opportunities that do not damage sensitive lands.

- Provide a continuous and coordinated system of preserved lands with a connecting corridor of walking, equestrian, and bicycle trails, encompassing the San Dieguito River Valley from the ocean to the river's source.

The focused planning area of the San Dieguito River Park extends from the ocean at Del Mar to Volcan Mountain located north of Julian.

The Board of Directors consists of the following:

- Two elected members of the governing bodies of the County of San Diego and the City of San Diego appointed by their respective councils.

- One elected member of the City Council of the cities of Del Mar, Escondido, Poway and Solana Beach appointed by their respective councils.

- Chairperson of the San Dieguito River Park Citizens Advisory Committee.

(1) Summary of Significant Accounting Policies, (Continued)

Basis of Accounting and Measurement Focus

The *basic financial statements* of the JPA are composed of the following:

(a) Government-wide financial statements
(b) Fund financial statements
(c) Notes to the basic financial statements

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 the activities of the JPA.

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 function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments, investment income, and other items not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

(1) Summary of Significant Accounting Policies, (Continued)

Fund Financial Statements

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The JPA uses an availability period of 60 days for all revenues.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

*Governmental Fund Balances*

Fund balances are reported in the fund statements in the following classifications:

(1) Summary of Significant Accounting Policies, (Continued)

*Nonspendable Fund Balance*

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

*Spendable Fund Balance*

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The JPA considers a resolution, to constitute a formal action of the Board of Directors for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Board but does not require a formal action like a resolution or ordinance. The Board may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such a delegation by the Board has not yet been granted.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(1) Summary of Significant Accounting Policies, (Continued)

Fund Balance Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

The JPA reports the following major governmental funds:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

The Permanent Fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the organization.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

(1) Summary of Significant Accounting Policies, (Continued)

Fair Value Measurement

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are inactive
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the JPA's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the JPA's own data.

Capital Assets

Capital assets are recorded at cost for purchases in excess of $5,000 that have an expected useful life of five years or more. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. Donated capital assets are recorded at estimated acquisition value at the date of donation.

## (1) Summary of Significant Accounting Policies, (Continued)

The useful life used for depreciation purposes is as follows:

| | |
|---|---|
| Buildings | 25-50 years |
| Structures and Improvements | 7-25 years |
| Equipment | 5-20 years |

### Compensated Absences

Permanent JPA employees earn from 20 to 25 vacation days a year, depending upon their length of employment, and 13 sick days a year. Employees can carry forward up to 1.5 their annual allotment in earned but unused vacation days. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave.

### Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the San Diego County Employees Retirement Association (SDCERA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. SDCERA audited financial statements are publicly available reports that can be obtained at SDCERA's website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|---|---|
| Valuation Date (VD) | June 30, 2015 |
| Measurement Date (MD) | June 30, 2016 |
| Measurement Period (MP) | June 30, 2015 to June 30, 2016 |

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

(1) Summary of Significant Accounting Policies, (Continued)

The JPA has pension related items that qualify for reporting in this category. These are reported on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The JPA has pension related items that qualify for reporting in this category. This is reported on the Statement of Net Position.

Estimates

The presentation of basic 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

Cash and investments as of June 30, 2017, are classified in the accompanying financial statement as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 1,072,649 |
| Restricted cash and cash equivalents | 14,864 |
| Investments | 2,852,725 |
| Total cash and investments | $ 3,940,238 |

Cash and investments as of June 30, 2017, consist of the following:

| | |
|---|---|
| Cash on hand | $ 300 |
| Deposits with financial institutions | 1,087,213 |
| Investments | 2,852,725 |
| Total cash and investments | $ 3,940,238 |

## (2) Cash and Investments, (Continued)

### Investments Authorized by the California Government Code and the JPA's Investment Policy

The JPA's Board of Directors has established an investment policy in accordance with the California Government Code for internally managed investments. In instances where endowment funds have been invested in a public foundation, the JPA is prudent to ensure the assets are properly diversified to preserve the principal balance.

### 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 changes in market interest rates are. The JPA does not have any long-term investments that reduce interest rate risk.

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More than 60 Months |
| Equity Traded Mutual Funds (ETF) | $ 763,102 | 763,102 | - | - | - |
| San Diego Foundation Investment Pool | 635,731 | 635,731 | - | - | - |
| Rancho Santa Fe Foundation Investment Pool | 1,453,892 | 1,453,892 | - | - | - |
| Total | $ 2,852,725 | 2,852,725 | - | - | - |

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

| | | | | Ratings as of Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Total | Minimum Legal Rating | Exempt From Disclosure | AAA | AA | A | Not Rated |
| Equity Traded Mutual Funds (ETF) | $ 763,102 | N/A | - | - | - | - | 763,102 |
| San Diego Foundation Investment Pool | 635,731 | N/A | - | - | - | - | 635,731 |
| Rancho Santa Fe Foundation Investment Pool | 1,453,892 | N/A | - | - | - | - | 1,453,892 |
| Total | $ 2,852,725 | | - | - | - | - | 2,852,725 |

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an organization 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, an organization will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

The California Government Code and the JPA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit).

The market 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 JPA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to an organization's indirect investment in securities through the use of mutual funds or government investment pools.

Investment in San Diego Foundation Investment Pool:

The JPA is a voluntary participant in the San Diego Foundation Investment Pool. The funds are invested in a diversified portfolio, which is structured for long-term total return. The Foundation's distribution allocation policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made monthly. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all the contributions made to endowment principal, then distributions will be limited to interest and dividends received.

(2) Cash and Investments, (Continued)

Investment in Rancho Santa Fe Foundation Investment Pool:

The JPA is a voluntary participant in the Rancho Santa Fe Foundation Investment Pool. The Foundation provides stewardship for permanent endowment funds, funds held for other non-profit organizations and donor advised funds that provide resources for the charitable mission of the Foundation. The primary goals of the Foundation for the investment of the Portfolio are the preservation of capital with appropriate liquidity and sufficient growth of capital to offset the effects of inflation.

Concentration of Credit Risk

The investment policy of the JPA is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code.

Fair Value Measurements

The JPA categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles.

The JPA has the following recurring fair value measurements as of June 30, 2017:

| | | Fair Value Hierarchy | | |
|---|---|---|---|---|
| Investment Type | Total | Level 1 | Level 2 | Level 3 |
| Investments measured at fair value | | | | |
| Equity Traded Mutual Funds (ETFs) | $ 763,102 | 763,102 | - | - |
| Total investments measured at Fair Value | 763,102 | 763,102 | - | - |
| Investments not measured at fair value | | | | |
| San Diego Foundation Investment Pool | 635,731 | | | |
| Rancho Santa Fe Foundation Investment Pool | 1,453,892 | | | |
| Total Investments | $ 2,852,725 | | | |

## (3) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 43,727,783 | - | - | 43,727,783 |
| Total capital assets, not being depreciated | 43,727,783 | - | - | 43,727,783 |
| Capital assets, being depreciated | | | | |
| Improvement of sites | 16,770,671 | - | - | 16,770,671 |
| Furniture and equipment | 325,554 | 107,841 | - | 433,395 |
| Total capital assets, being depreciated | 17,096,225 | 107,841 | - | 17,204,066 |
| Less accumulated depreciation for: | | | | |
| Improvement of sites | (5,778,577) | (822,788) | - | (6,601,365) |
| Furniture and equipment | (176,549) | (43,506) | - | (220,055) |
| Total accumulated depreciation | (5,955,126) | (866,294) | - | (6,821,420) |
| Total assets being depreciated, net | 11,141,099 | (758,453) | - | 10,382,646 |
| Capital assets, net of depreciation | $ 54,868,882 | (758,453) | - | 54,110,429 |

Depreciation expense of $866,294 has been recorded in Operations on the Statement of Activities.

## (4) Long Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within one year |
|---|---|---|---|---|---|
| Pension obligation bonds | $ 329,237 | - | (4,932) | 324,305 | 25,189 |
| Compensated absences | 40,160 | 26,293 | (26,440) | 40,013 | 10,003 |
| Total | $ 369,397 | 26,293 | (31,372) | 364,318 | 35,192 |

(4) Long Term Liabilities, (Continued)

Pension Obligation Bonds

The JPA participates in the County of San Diego County Employee Retirement Association's (SDCERA) pension plan as discussed further in Note 6. As such they are liable for a share of the County's Taxable Pension Obligation Bonds (POB). POBs are issued by the County to reduce its pension unfunded actuarial liability and to achieve interest rate savings by issuing bonds at interest rates which are less than the assumed rate of return earned on proceeds placed in the SDCERA pension plan. POBs also have been issued to refund previously issued POB debt. Because current federal tax law restricts the investment of the proceeds of tax-exempt bonds in higher-yielding taxable securities, POBs are issued on a taxable basis.

The County of San Diego has issued a total of six series of Pension Obligation Bonds in 2002, 2004 and 2008, with maturities ranging from August 15, 2015 to August 15, 2026. All bonds were issued at variable interest rates ranging from 3.28-6.03%. Additional information on the bonds can be found in the County of San Diego's Comprehensive Annual Financial Report. The following is a summary of debt service requirements to maturity for JPA's Share of the County's Pension Obligation Bonds:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 25,189 | 18,447 | 43,636 |
| 2019 | 26,671 | 16,966 | 43,637 |
| 2020 | 28,261 | 15,374 | 43,635 |
| 2021 | 29,970 | 13,666 | 43,636 |
| 2022 | 31,785 | 11,850 | 43,635 |
| 2023-2026 | 182,429 | 27,803 | 210,232 |
| Total | $ 324,305 | 104,106 | 428,411 |

Compensated Absences

The JPA's policies relating to compensated absences are described in Note 1. This liability, to be paid in future years from the general fund, at June 30, 2017 is $40,013.

(5) Transfers In/Out

Transfers between the general fund and permanent fund were to create restricted reserve accounts at the direction of the Board.

## (6) Insurance

The JPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The JPA is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for 660 public agency members. The JPA has the following coverages:

| Type of Coverage | Limit |
|---|---|
| General Liability | $5,000,000 per occurrence |
| Public Officials and Employees Errors & Omissions | $5,000,000 per occurrence |
| Elected Officials Personal Liability | $500,000 per occurrence |
| Employment Practices Liability | $5,000,000 per occurrence |
| Employee Benefits Liability | $5,000,000 per occurrence |
| Employee and Public Officials Dishonesty | $1,000,000 per occurrence |
| Auto Liability | $5,000,000 per occurrence |
| Uninsured/Underinsured Motorists | $1,000,000 per occurrence |
| Property | $1,000,000,000 per occurrence |
| Boiler and Machinery | $100,000,000 per occurrence |
| Workers' Compensation-Employer Liability | $5,000,000 per occurrence |

## (7) Retirement Plan

### Plan Description

JPA employees who work in a permanent position for at least 20 hours each week are eligible to participate in the San Diego County Employees Retirement Association (SDCERA) cost-sharing multiple employer defined benefit pension plan. All eligible JPA employees are considered General Members. The plan was established under the County Employees Retirement Law of 1937. A nine-member Board of Retirement oversees the plan for five employers. SDCERA issues a publicly available report that include financial statements and required supplementary information. The SDCERA financial report may be obtained by writing to SDCERA: 227 Rio Bonito Way, Suite 2000, San Diego, California 92108.

### Benefits Provided

SDCERA 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. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

## (7) Retirement Plan, (Continued)

| | General Members | | | |
|---|---|---|---|---|
| Hire date | Prior to March 8, 2002 (Tier I) | March 8, 2002 to August 2009 (Tier A) | August 28, 2009 to January 1, 2013 (Tier B) | On or after January 1, 2013 (Tier C) |
| Benefit formula | 2.62% @ 62 | 3.00% @ 60 | 2.62% @ 62 | 2.50% @ 67 |
| Benefit vesting schedule | 5 years service | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life | monthly for life |
| Retirement age | 50-65 | 50-65 | 50-65 | 55-67 |
| Monthly benefits, as a % of eligible compensation | 1.34% to 2.62% | 2.00% to 3.00% | 1.34% to 2.62% | 1.30% to 2.50% |
| Required employee contribution rates | 10.83% | 12.14% | 9.54% | 8.27% |
| Required employer contribution rates | 39.95% | 39.95% | 39.95% | 33.52% |

### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the SDCERA annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All members are required to make contributions to SDCERA regardless of the retirement plan in which they are included. The average member contribution rate as of June 30, 2016 for 2015-2016 (based on the June 30, 2014 valuation) was 11.20% (not adjusted for pick-up) of compensation.

### Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was remeasured by revaluing the total pension liability as of June 30, 2015 (before the roll forward) to include the following actuarial assumptions that the Retirement Board has adopted for use in the pension funding valuation as of June 30, 2016 and using this revalued total pension liability in rolling forward the results from June 30, 2015 to June 30, 2016:

(7) Retirement Plan, (Continued)

| | |
|---|---|
| Actuarial Cost Method | Entry Age Actuarial Cost Method |
| Asset Valuation Method | Market Value of Assets |
| Actuarial Assumptions | |
| Discount Rate | 7.25% |
| Inflation | 3.00% |
| Payroll Growth | 4.50% to 10.25% |
| Investment Rate of Return | 7.25%, net of pension plan investment expense, including inflation |

Discount Rate

The discount rate used to measure the TPL was 7.25% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2016.

The long-term expected rate of return on pension plan investments, was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

(7) Retirement Plan, (Continued)

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S Equity | 17.685% | 5.80% |
| Small Cap U.S Equity | 1.965% | 6.47% |
| Developed International Equity | 16.200% | 6.97% |
| Emerging Markets Equity | 9.150% | 8.93% |
| U.S Core Bonds | 10.000% | 0.84% |
| High Yield Bonds | 5.000% | 3.47% |
| Global Bonds | 2.000% | 0.49% |
| Bank Loan | 5.000% | 2.34% |
| Cash & Equivalents | 2.000% | -0.46% |
| Real Estate | 4.500% | 4.45% |
| Vale Added Real Estate | 4.500% | 7.10% |
| Hedge Fund (Fund to Funds) | 8.000% | 4.40% |
| Private Real Asset | 6.000% | 9.00% |
| Private Equity | 8.000% | 9.00% |
| Total | 100.000% | |

The Net Pension Liability (NPL) for each membership class is the TPL minus the Plan Net Position. The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ration of the total SDCERA Plan Net Position to total SDCERA valuation value of assets.

The NPL is allocated based on the actual employer contributions with the membership class.

(1) First calculate the ratio of employer's contributions to the total contributions for the membership class. This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
(2) The liability for Section 415(m) Replacement Benefit Program for each employer is added to the respective employers. JPA does not have a liability in this category.
(3) NPL is equal to NPL in (1) and NPL in (2) above.

(7) Retirement Plan, (Continued)

The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (c) = (a) - (b) |
| Balance at: 06/30/15 | $ 6,077,187 | 4,778,493 | 1,298,694 |
| Balance at: 06/30/16 | 7,406,217 | 5,219,852 | 2,186,365 |
| | $ 1,329,030 | 441,359 | 887,671 |

The JPA's proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

| | |
|---|---|
| Proportion – June 30, 2015 | 0.046% |
| Proportion – June 30, 2016 | 0.051% |
| Change – Increase (Decrease) | 0.005% |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

| | **Discount Rate – 1% (6.25%)** | **Current Discount Rate (7.25%)** | **Discount Rate + 1% (8.25%)** |
|---|---|---|---|
| Plan's Net Pension Liability | $ 3,216,461 | $ 2,186,365 | $ 1,340,830 |

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

(7) Retirement Plan, (Continued)

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|---|---|
| Difference between projected and actual earnings | 5-year straight-line amortization |
| All other amounts | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period). |

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan was 4.87 years, which was calculating each active employee's expected remaining service life as the present value of $1 per year of future service at zero percent interest, setting the remaining service life to zero for each nonactive or retired member, and then dividing the sum of the amounts by the total number of active employee, nonactive and retired members.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016 (the measurement date), JPA recognized a pension expense of $344,054 for the Plan.

As of the June 30, 2016 measurement date, JPA reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

(7) Retirement Plan, (Continued)

| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Fiscal Year 16/17 Contributions | $ 221,855 | - |
| Change of assumptions | 357,239 | - |
| Differences between expected and actual experience | - | 112,919 |
| Net difference between projected and actual earnings on pension plan investments | 357,360 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions* | 174,122 | 120,098 |
| **Total** | $ 1,110,576 | 233,017 |

* - Each employer is required to recognize an employer-specific type of deferred inflows and deferred outflows. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's EARSL.

Amounts reported as deferred outflows and inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

| **Measurement period Ending June 30:** | **Deferred Outflows/Inflows of Resources** |
|---|---|
| 2017 | $ 166,202 |
| 2018 | 188,128 |
| 2019 | 202,386 |
| 2020 | 98,988 |

In addition to the above amounts, $221,855 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

## (8) Other Post-Employment Benefits

### a. Plan Description

Effective July 1, 2007, the JPA commenced contributing to the SDCERA retiree health plan, (SDCERA-RHP) a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The Retirement Act assigns the JPA to establish and amend health allowance benefits to the SDCERA Board of Retirement. The retiree health plan provides a non-taxable health insurance allowance to Tier I and Tier II retirees. Health insurance allowances range from \$200 per month to \$400 per month based on members' service credits. (See note below regarding SDCERA Financial Report information.)

### b. Funding Policy

The SDCERA-RHP was established and is administered as an Internal Revenue Code Section 401(h) account within the defined benefit pension plan under the Authority granted by the Retirement Act to the SDCERA Board of Retirement. The SDCERA-RHP is funded by employer contributions that are based on an actuarially determined 20-year level dollar amortization schedule. The health insurance allowance is not a vested benefit and may be reduced or discontinued at any time by the SDCERA Board of Retirement. Additionally, the total amount of employer contributions are limited by the provisions of 401(h).

The JPA's employer contributions to the SDCERA-RHP for the three years ended June 30, 2017, which equaled the required contributions, were the following:

| Fiscal Year Ended June 30, | Annual Required Contribution (ARC) | Contributions Made | Percentage of ARC Contributed |
|---|---|---|---|
| 2017 | $ 11,807 | 11,807 | 100% |
| 2016 | 10,880 | 10,880 | 100% |
| 2015 | 10,406 | 10,406 | 100% |

## (9) Related Party Transactions

The JPA reimburses the County for annual cost of participating in County administered workers' compensation, employee benefit programs, and payroll and information technology support services.

## (10) Endowment Funds

The following is a summary of the endowments recorded in the permanent fund at June 30, 2017:

| Custodian | Purpose | Agreement Date | Original Principal | Balance at 06/30/17 |
|---|---|---|---|---|
| Rancho Santa Fe Foundation | Coast to Crest Trail repair or replacement. | 09/23/03 | $ - | 31,598 |
| Rancho Santa Fe Foundation | Bernardo Mountain maintenance and preservation. | 07/27/04 | 176,920 | 210,585 |
| Del Mar Foundation | San Dieguito Lagoon maintenance and management. | 04/08/04 | 500,000 | 777,966 |
| San Diego Foundation | San Dieguito River Park operations and programs. | 05/07/97 | 569,848 | 616,176 |
| San Diego Foundation | San Dieguito River Park operations and programs. | 05/07/97 | - | 19,555 |
| Rancho Santa Fe Foundation | Fenton Ranch Conservation Bank maintenance and management. | 10/17/08 | 318,230 | 318,230 |
| Rancho Santa Fe Foundation | Sycamore Westridge maintenance and management. | 09/18/09 | 52,955 | 52,955 |
| Rancho Santa Fe Foundation | Fenton Property (Escondido) maintenance and management. | 01/19/10 | 53,628 | 53,628 |
| Rancho Santa Fe Foundation | Fenton Property (Lowes) maintenance and management. | 03/25/09 | 53,628 | 53,628 |
| Rancho Santa Fe Foundation | Dean Property long term management. | 05/16/16 | 257,059 | 257,059 |
| Rancho Santa Fe Foundation | Other endowments/restricted funds | various | - | 476,209 |
| | Total | | $ 1,982,268 | 2,867,589 |

## (11) Subsequent Events

In October 2017, the JPA closed escrow on the Blum Property. As a result of the acquisition, the JPA issued an installment note to Marc L. and Orsula Blum in the amount of $180,000. The installment note has annual installments of $21,101 beginning in October 2018 until October 2027. The interest on the note is 3.0%.

# REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGUITO RIVER VALLEY
REGIONAL OPEN SPACE PARK JOINT POWERS AUTHORITY

Schedule of the Plan's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years *

| | Measurement Period | | |
|---|---|---|---|
| | **06/30/16** | **06/30/15** | **06/30/14** |
| Proportion of the Collective Net Pension Liability | 0.051% | 0.046% | 0.055% |
| Proportionate Share of the Collective Net Pension Liability | $2,186,365 | $1,298,694 | $1,179,860 |
| Covered Payroll | $ 610,823 | $ 530,657 | $ 589,697 |
| Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll | 357.938% | 244.733% | 200.079% |
| Plan's Fiduciary Net Position as a percentage of the Total Pension Liability | 70.479% | 78.630% | 82.646% |

**Notes to Schedule:**

Changes of Assumptions: For the measurement period ending June 30, 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.25 percent, payroll growth changed from 4.5-9.75 percent to 4.25-10.25 percent, and the investment rate of return was changed from 7.5 percent to 7.25 percent.

For the measurement period ending June 30, 2015, the discount rate was changed from 7.75 percent (net of administrative expense) to 7.50 percent, the inflation rate was changed from 3.25 percent to 3.00 percent, payroll growth changed from 4.75-10.00 percent to 4.50-9.75 percent, and the investment rate of return was changed from 7.75 percent to 7.50 percent.

* - The fiscal year ended June 30, 2015 was the first year of implementation of GASB 68. As such only three years have been presented above.

SAN DIEGUITO RIVER VALLEY
REGIONAL OPEN SPACE PARK JOINT POWERS AUTHORITY

Schedule of the Plan Contributions

Last Ten Fiscal Years *

| | Fiscal Year | | |
|---|---|---|---|
| | **2016-17** | **2015-16** | **2014-15** |
| Actuarially Determined Contribution | $ 221,855 | $ 193,542 | $ 171,857 |
| Contributions in Relation to the Actuarially Determined Contribution | (221,855) | (193,542) | (171,857) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| Covered Payroll | $ 518,188 | $ 610,823 | $ 530,657 |
| Contributions as a Percentage of Covered Payroll | 42.814% | 31.685% | 32.386% |

| | |
|---|---|
| Fiscal Year End: | 6/30/2017 |
| Valuation Date: | 6/30/2015 |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll |
| Asset Valuation Method | 5-year smooth market |
| Discount Rate | 7.75%, net of administrative expenses. |
| Projected Salary Increase | 4.0% to 11.25%, vary by service |
| Inflation | 3.00% |
| Payroll Growth | 3.00% for Tier 1 and Tier 2; 2.00% for Tier B and Tier C |

* - The fiscal year ended June 30, 2015 was the first year of implementation of GASB 68. As such only three years have been presented above.

SAN DIEGUITO RIVER VALLEY REGIONAL
OPEN SPACE PARK JOINT POWERS AUTHORITY
Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| Revenues: | | | | |
| Assessments | $ 959,910 | 959,910 | 959,910 | - |
| Contracts and grants | 420,129 | 420,129 | 435,165 | 15,036 |
| Investment income (loss) | - | - | 1,078 | 1,078 |
| Donations | 3,000 | 3,000 | 254,142 | 251,142 |
| Miscellaneous | 35,940 | 35,940 | 464 | (35,476) |
| Total revenues | 1,418,979 | 1,418,979 | 1,650,759 | 231,780 |
| Expenditures: | | | | |
| General government: | | | | |
| Salaries and benefits | 1,091,170 | 1,091,170 | 1,074,473 | 16,697 |
| Auto and travel | 19,000 | 19,000 | 11,178 | 7,822 |
| Professional and contracted services | 154,429 | 154,429 | 136,275 | 18,154 |
| Operating | 450,576 | 450,576 | 374,380 | 76,196 |
| Debt service: | | | | |
| Principal | - | - | 4,932 | (4,932) |
| Interest | - | - | 19,831 | (19,831) |
| Total expenditures | 1,715,175 | 1,715,175 | 1,621,069 | 94,106 |
| Excess (deficiency) of revenues over (under) expenditures | (296,196) | (296,196) | 29,690 | 325,886 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | - | 66,549 | (66,549) |
| Transfers out | - | - | (463,834) | 463,834 |
| Total Other Financing Sources (Uses) | - | - | (397,285) | 397,285 |
| Net change in fund balances | (296,196) | (296,196) | (367,595) | 723,171 |
| Fund balances at beginning of year | 453,414 | 453,414 | 867,537 | (414,123) |
| Fund balances at end of year | $ 157,218 | 157,218 | 499,942 | 309,048 |

See accompanying notes to required supplementary information.

(1) Budgetary Reporting

The JPA adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with generally accepted accounting principles (GAAP). The adopted budget can be amended by the JPA to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the JPA's approval. However, the Executive Director may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the management to review the budget with the Board on a quarterly basis and, if necessary, recommend changes.