

**Sonoma County Agricultural Preservation
and Open Space District**

**Basic Financial Statements
For The Fiscal Year Ended
June 30, 2016**

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**Sonoma County Agricultural Preservation
And Open Space District**

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

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and Open Space District**

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Sonoma County Open Space
Roster of Advisory Committee Members

As of June 30, 2016 the District’s Advisory Committee consisted of the following members:

Jan McFarland	First District Representative
Kristin Thigpen.....	First District Representative
Sue Conley	Second District Representative
Steve Rabinowitsh (Chair).....	Third District Representative
Bill Smith	Fourth District Representative
Doug Lipton	Fourth District Representative
Jeff Holtzman	Fifth District Representative
John Nagle	Fifth District Representative
Gary Wysocky	Mayors’ and Councilmembers’
Laurie Gallian (Vice Chair).....	Mayors’ and Councilmembers’
John Dell’Osso	Mayors’ and Councilmembers’
Curt Nichols	Business Representative
Don McEnhill	Environmental Representative
Cary Fargo	Real Estate Representative

Sonoma County Open Space
Roster of Fiscal Oversight Commission Members

As of June 30, 2016, the District’s Fiscal Oversight Commission consisted of the following members:

Michael J. Sangiacomo	District 1
Todd Mendoza (Vice Chair)	District 2
Diane “Dee” Swanhuysen (Chair Pro Tem)	District 3
Bob Anderson (Chair).....	District 4
Eric Koenigshofer (Chair)	District 5
Jeff Owen	Alternate

Sonoma County Agricultural Preservation
and Open Space District
Roster of Board Members

As of June 30, 2016, the District's Board of Directors consisted of the following members:

<u>Directors</u>	<u>District</u>	<u>Term Expires</u>
Susan Gorin (Chair)	District 1	January 2017
David Rabbitt	District 2	January 2019
Shirlee Zane	District 3	January 2017
Efren Carrillo (Vice Chair)	District 4	January 2017
James Gore	District 5	January 2019

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Introduction

The Sonoma County Agricultural Preservation and Open Space District (the District) was created and funded with a quarter-cent sales tax in 1990 by a vote of the Sonoma County electorate for a period of twenty years. The mission of the District is to permanently preserve the diverse landscapes of Sonoma County for future generations, including working farms and ranches, greenbelts and community separators between and around urban areas, natural areas and wildlife habitat, and land for public access and passive recreation. In November 2006, voters overwhelmingly approved Measure F, which reauthorized the District and extended the quarter-cent sales tax through 2031. Measure F began on April 1, 2011. Since its inception, the District has protected over 107,000 acres with an acquisition cost of \$378.2million; and today, ranks as one of the top open space and farmland conservation programs in the nation.

The District is a separate legal entity and has specific purposes and powers, which are set out in Public Resources Code Sections 5500 et seq.¹ Primary financing for the District comes from the voter-approved 0.25 percent sales tax. The District is thus different from Sonoma County departments, which are created by the Board of Supervisors for internal administrative convenience, but are not separate legal entities.

Through March 2011, the Open Space Authority (the Authority) levied the sales tax and ensured that the District's open space purchases were consistent with the voter-approved expenditure plan. The Authority contracted with the District to acquire open space (planning, appraisal, negotiation, and stewardship). On April 1, 2011, the Authority reorganized as the Sonoma County Open Space Fiscal Oversight Commission to provide fiscal oversight of the District's operations. Measure F authorized the County to levy sales tax that funds the District and also required the County to enter into a contract with the District. The contract dedicates the sales tax revenue to the implementation of the voter approved 2006 Expenditure Plan and gives the District authority for the budgeting and expenditure of the sales tax revenue in accordance with the Plan. The District partners with willing landowners, public agencies and non-profit organizations to protect the open space values of land in perpetuity, through agreements with landowners (conservation easements) and through outright purchase of land.

The District's status as a separate legal entity with specific powers affects the types of activities in which the District may engage. Unlike Sonoma County, which generally may spend its general fund revenues for activities the Board of Supervisors determines benefit the public good,² the District may only expend its sales tax revenue to further the purposes specified in the voter approved Expenditure Plan.³ Unlike the County, the District has no general land use authority, and does not exercise general regulatory "police powers."

¹ See Public Resources Code Sections 5506.5 and 5506.6 and Sonoma County Measure A, 1990 General Election ballot. Unless otherwise specified, all section references are to the Public Resources Code.

² See Government Code Section 26227.

³ See Revenue & Taxation Code Section 7285.5 and the contract between the District and the Sonoma County Open Space Authority. See also *Golden Bridge District v. Luehring* (1970) 4 Cal. App.3d 204.

Because the District is a separate entity, the District’s revenues, expenses and assets are held and accounted for separately from Sonoma County’s.⁴ When County officials perform services for the District, they are separately paid for those services by the District, pursuant to agreements between the District and the County. Similarly, when District personnel perform services for the County, the County pays the District for those services. Payments are subject to fiscal oversight by the Sonoma County Open Space Fiscal Oversight Commission to assure the public that they are consistent with the Expenditure Plan and that they are based on actual cost. The District holds separate title to its real property and assets, and the County may not use District property or funds for County purposes absent an appropriate agreement that is consistent with the voter approved Expenditure Plan. The District is also subject to different laws than the County regarding acquisition and disposition of property.⁵

⁴See Section 4 of Sonoma County Ordinance No. 5677R (“The Sonoma County Open Space, Clean Water and Farmland Protection Measure”).

⁵ For instance, see Public Resources Section 5540.

Financial Section

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma County Agricultural Preservation and Open Space District
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities, and the General Fund of the Sonoma County Agricultural Preservation and Open Space District, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 the 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016 as discussed in Note 1K to the financial statements:

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

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



October 6, 2016

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Management's Discussion and Analysis

As management of the Sonoma County Agriculture Preservation and Open Space District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 12-16) and the accompanying notes to the basic financial statements (pages 17-28).

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$386,114,751 (net position), of which \$5,688,105 is reported as unrestricted net position.

The District's total net position decreased by \$4,903,810. This decrease was primarily the result of the District transferring \$10,437,499 to the County of Sonoma (the County) toward the County's issuance of refunding debt during this fiscal year. This transaction will, over time, positively impact District cash flows.

These funds had previously been earmarked for the Stewardship Reserve; an amount planned for use as an endowment fund should the tax sunset in 2031. The Stewardship Reserve is now anticipated to begin funding when the new debt is extinguished in the fiscal year ending June 30, 2024, seven years earlier than the original debt. The approximately \$7.5 million originally anticipated to be spent out of the OSSTA account on annual debt service, is now planned to go towards the Stewardship Reserve.

The District recorded program revenue of \$13,425,586 comprised of contributions from the Open Space Special Tax Account (OSSTA), grants from other governments and donations of capital assets. The District reported \$7,903,595 in program expense including salaries and employee benefits, services and supplies and contributions to other governments. The resulting net program revenues of \$5,521,991 partially offset the decrease in net position from transfers to the County.

As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$7,026,132, a decrease of \$11,399,994 from the prior year, with a fund balance commitment of \$3,525,441 for initial public access, operation and maintenance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the

basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business, and are composed of the *statement of net position* and the *statement of activities*.

The *statement of net position* presents information about the financial position of the District, reflecting all of the District's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources on a full accrual basis, 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 District is improving or deteriorating.

The *statement of activities* presents information about the District's revenues and expenses, also on a full accrual basis, with the emphasis on measuring net revenues and expenses of the District. The *statement of activities* reflects how the government'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 (e.g., unused vacation leave).

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's fund is a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental *activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund

balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District's governmental fund accounts for its activities, which include preservation of open space in the District's boundaries. The District adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the basic financial statements can be found on pages 17-28 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$386,114,751 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, 99%, reflects its investment in capital assets (e.g., land and easements).

Net Position

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 7,905,890	\$ 19,144,897	\$ (11,239,007)
Capital assets	<u>380,426,646</u>	<u>373,816,544</u>	<u>6,610,102</u>
Total assets	<u>388,332,536</u>	<u>392,961,441</u>	<u>(4,628,905)</u>
Deferred outflows of resources	<u>1,449,022</u>	<u>443,772</u>	<u>1,005,250</u>
Current liabilities outstanding	1,039,827	718,771	321,056
Long-term liabilities outstanding	<u>2,382,712</u>	<u>1,409,732</u>	<u>972,980</u>
Total liabilities	<u>3,422,539</u>	<u>2,128,503</u>	<u>1,294,036</u>
Deferred inflows of resources	<u>244,268</u>	<u>258,149</u>	<u>(13,881)</u>
Net position:			
Net investment in capital assets	380,426,646	373,816,544	6,610,102
Restricted	-	115,598	(115,598)
Unrestricted	<u>5,688,105</u>	<u>17,086,419</u>	<u>(11,398,314)</u>
Total net position	<u>\$ 386,114,751</u>	<u>\$ 391,018,561</u>	<u>\$ (4,903,810)</u>

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position.

The District's total net position decreased by \$4,903,810 from the prior fiscal year, with the majority of this decrease due to transfers out offset by program revenues exceeding program expenses.

Changes in Net Position

	2016	2015	Increase (Decrease)
Revenues:			
Program Revenues:			
Open space preservation	\$ 13,425,586	\$ 10,104,857	\$ 3,320,729
General Revenues:			
Investment income and other	11,698	493,866	(482,168)
Total revenues	13,437,284	10,598,723	2,838,561
Expenses:			
Program Expenses:			
Open space preservation	7,903,595	10,022,231	(2,118,636)
Total expenses	7,903,595	10,022,231	(2,118,636)
Change in net position before transfers	5,533,689	576,492	4,957,197
Transfers	(10,437,499)	-	(10,437,499)
Change in net position	(4,903,810)	576,492	(5,480,302)
Net position - beginning of the year	391,018,561	391,373,059	(354,498)
Prior period adjustment	-	(930,990)	930,990
Net position - beginning of the year, as restated	391,018,561	390,442,069	576,492
Net position - end of the year	\$ 386,114,751	\$ 391,018,561	\$ (4,903,810)

Financial Analysis of the Government's Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

Governmental Funds

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$7,026,132, a decrease of \$11,399,994 from the prior year. Of this amount, \$5,423 represents non-spendable fund balance associated with a prepaid expense, \$3,525,441 represents fund balance committed to initial public access, operations and maintenance, \$2,741,663 represents fund balance assigned to contract encumbrances and \$753,605 represents unassigned fund balance, which may be used to meet the District's ongoing obligations to citizens and creditors.

General Fund Budgetary Highlights

Material differences between the original budget and the final amended budget can be briefly summarized as follows:

- Revenue appropriations were decreased by \$3,200,000 due primarily to the elimination of the \$3,000,000 OSSTA transfer to contribute to the Stewardship Reserve. The transfer was cancelled due to the Measure F bond refunding.
- Expenditure appropriations were decreased by \$91,811 due primarily to encumbrance rollovers of \$3,071,346 offset by the elimination of the \$3,000,000 transfer to the Stewardship Reserve.

Capital Assets

The District's investment in capital assets, as of June 30, 2016, amounts to \$380,426,646. This investment in capital assets includes land, intangible land easements, construction in progress, land improvements, machinery and equipment, and pre-acquisition costs. The total increase in the District's investment in capital assets for the current fiscal year was \$6,610,102.

Major capital asset events during the current fiscal year included the following:

- During the year, over 1,505 acres of land were protected in perpetuity through the acquisition of six conservation easements.
- The District acquired a new truck during F15-16 for \$35,199 and made building improvements of \$36,536 on the refurbishing of a barn on the Oken property.

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

Debt Administration

The District had no outstanding debt as of June 30, 2016. As required by Measure F, the County of Sonoma issued debt for District use in acquisitions in 2007 and refunded it by issuance of Measure F Sales Tax Revenue Series 2015 A. The County administers the debt service using Measure F sales tax proceeds. This activity is accounted for in the Open Space Special Tax Account (OSSTA), which is administered by the County Auditor-Controller-Treasurer-Tax Collector Department. Principal due on the Measure F Sales Tax Revenue Bonds Series A as of June 30 2016 is \$48,865,000.

Economic Factors and Next Year's Budgets and Rates

The primary funding for the District comes from a voter approved one quarter percent sales tax that was initially imposed for a period of 20 years ending the first quarter of 2011. In November 2006 the voters passed Measure F, an initiative which extends the tax for another 20 years ending the first quarter of 2031. The sales tax revenue is accounted for in the Open Space Special Tax Account which is administered by the County Auditor-Controller-Treasurer-Tax Collector. Sales tax revenue has continued to increase as the economy has improved and is anticipated to grow slightly in FY 16-17.

Property values have also seen an increase as the economy has improved which could impact the cost of conservation easements.

The budget for FY 16-17 shows minor changes in staffing and amounts budgeted for services and supplies. The budget for land and easement acquisition is developed each year considering the acquisitions that are intended to be completed. Since projects may take multiple years to complete some projects are budgeted more than one year.

All of these factors were considered in preparing the District's budget for the fiscal year ending June 30, 2017.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Agricultural Preservation and Open Space District, 747 Mendocino Avenue, Suite 100, Santa Rosa, CA 95401-4850. The District can also be reached by telephone at (707) 565-7360, via email at openspace@sonoma-county.org or visit the website at <http://www.sonomaopenspace.org/>

**Sonoma County Agricultural Preservation and
Open Space District
Statement of Net Position
June 30, 2016**

Assets

Current Assets:

Cash and investments (Note 2)	\$7,686,666
Due from other governments	213,801
Prepaid expenses	5,423

Noncurrent Assets:

Capital assets (Note 3):	
Non-depreciable	379,352,564
Depreciable, net	<u>1,074,082</u>
Total assets	<u><u>388,332,536</u></u>

Deferred Outflows of Resources

Related to pensions (Note 8)	<u>1,449,022</u>
Total deferred outflows of resources	<u><u>1,449,022</u></u>

Liabilities

Accounts payable and other current liabilities	849,758
Compensated absences (Notes 1.F. and 4)	190,069
Non-current liabilities:	
Net pension liability (Note 8)	2,352,712
Pollution remediation (Note 9)	<u>30,000</u>
Total liabilities	<u><u>3,422,539</u></u>

Deferred Inflows of Resources

Related to pensions (Note 8)	<u>244,268</u>
Total deferred inflows of resources	<u><u>244,268</u></u>

Net Position (Note 1.G.)

Net investment in capital assets	380,426,646
Unrestricted	<u>5,688,105</u>
Total net position	<u><u><u>\$386,114,751</u></u></u>

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

**Sonoma County Agricultural Preservation and
Open Space District
Statement of Activities
For the fiscal year ended June 30, 2016**

Program Expenses

Open Space Preservation:	
Salaries and employee benefits	\$3,363,046
Services and supplies	4,449,443
Costs applied (Note 6)	(563,704)
Depreciation	46,923
Contribution to other governments	549,989
Loss on disposal of capital assets (Note 3)	57,898
Total program expenses	<u>7,903,595</u>

Program Revenues

Intergovernmental:	
Contributions from Open Space Special Tax Account for:	
Operations (Note 5)	4,500,000
Capital acquisitions (Note 5)	5,688,537
Initial public access, operations and maintenance (Note 5)	2,220,317
Grants and contributions:	
State of California	24,243
Federal	451,175
County and local governments	20,000
Donations	513,624
Rental income	7,690
Total program revenues	<u>13,425,586</u>
Net program revenues	<u>5,521,991</u>

General Revenues

Investment earnings	8,413
Miscellaneous	3,285

Transfers

Transfers out to Open Space Special Tax Account (Note 5)	<u>(10,437,499)</u>
Total general revenues and transfers	<u>(10,425,801)</u>
Change in net position	<u>(4,903,810)</u>
Net position - beginning of year	<u>391,018,561</u>
Net position - end of year	<u><u>\$386,114,751</u></u>

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

**Sonoma County Agricultural Preservation and
Open Space District
Balance Sheet
Governmental Fund
June 30, 2016**

Assets	
Cash and investments (Note 2)	\$7,686,666
Due from other governments	213,801
Prepaid expenses	5,423
Total assets	\$7,905,890
Liabilities and Fund Balance	
Liabilities:	
Accounts payable and other current liabilities	\$849,758
Pollution Remediation	30,000
Total liabilities	879,758
Fund balance (Note 1.H.):	
Nonspendable	5,423
Committed	3,525,441
Assigned	2,741,663
Unassigned	753,605
Total fund balance	7,026,132
Total liabilities and fund balance	\$7,905,890

**Sonoma County Agricultural Preservation and Open Space District
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2016**

Fund balances - total governmental funds	\$7,026,132
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	380,426,646
Deferred outflows of resources reported in the statement of net position	1,449,022
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(190,069)
Pension liability	(2,352,712)
Deferred inflows of resources reported in the statement of net position	(244,268)
Net position of governmental activities	\$386,114,751

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

**Sonoma County Agricultural Preservation and
Open Space District
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2016**

Revenues

Intergovernmental revenue:	
Contributions from the Open Space Special Tax Account for:	
Operations (Note 5)	\$4,500,000
Capital acquisition (Note 5)	5,688,537
Initial public access, operations and maintenance (Note 5)	2,220,317
Grants and contributions:	
State of California (Note 5)	24,243
Federal	451,175
County and local governments	20,000
Donations	45,684
Interest on pooled cash	8,413
Miscellaneous	10,975
	<hr/>
Total revenues	12,969,344
	<hr/>

Expenditures

Salaries and employee benefits	3,249,128
Services and supplies	4,449,443
Costs applied (Note 6)	(563,704)
Contribution to other government	549,989
Capital outlay	6,246,983
	<hr/>
Total expenditures	13,931,839
	<hr/>
Excess of revenue over expenditures	(962,495)
	<hr/>

Other Financing Sources (Uses)

Transfers out	(10,437,499)
	<hr/>
Total other financing sources (uses)	(10,437,499)
	<hr/>
Net change in fund balance	(11,399,994)
Fund balance - beginning of year	18,426,126
	<hr/>
Fund balance - end of year	\$7,026,132
	<hr/> <hr/>

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

**Sonoma County Agricultural Preservation and
Open Space District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the fiscal year ended June 30, 2016**

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

Net change in fund balances - total governmental fund	(\$11,399,994)
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	6,246,983
Loss on disposal of capital assets	(57,898)
Depreciation	(46,923)
<p>The statement of activities reports gains and losses arising from the sale of capital assets as the difference between the proceeds from sale of capital assets and the book value of the sold capital assets, while governmental funds report the proceeds from sale of capital assets. The difference is the book value of capital assets sold.</p>	
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	467,940
<p>Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:</p>	
Change in net pension liability	(106,060)
Change in compensated absences	(7,858)
Change in net position of governmental activities	<u>(\$4,903,810)</u>

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

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Sonoma County Agricultural Preservation and Open Space District (the District) is a dependent Special District formed under Government Code Section 65562 and 5500 et seq. of the Public Resources Code to further State policy on the preservation of open space. The boundaries of the District are coterminous with the boundaries of the County of Sonoma. The Board of Directors of the District is composed of the members of the County Board of Supervisors who serve *ex officio* as District Directors. As such their duties and loyalties as District Directors are separate and distinct from their duties and loyalties as County Supervisors. Financial activity of the District is recorded in the County of Sonoma's Comprehensive Annual Financial Report as a Non-Major Special Revenue Fund. The Open Space Special Tax Account (OSSTA), which records the sales tax received and funds the acquisitions and operations of the District, is recorded as a Major Special Revenue Fund in the County's financial statements. The Net Position of both funds are shown as restricted for Agricultural Preservation and Open Space on the County's Government-wide Statement of Net Position.

The District was formed by a 70.6% positive vote of the County Electorate during the November 1990 elections.

Primary financing for the District was through a contract with the Sonoma County Open Space Authority (Authority). Effective April 1, 2011, as required by Measure F, the quarter cent sales tax is being levied by the County of Sonoma. The sales tax revenue is accounted for in the Open Space Special Tax Account which is administered by the County Auditor as outlined in a contract between the County of Sonoma and the District. The Open Space Fiscal Oversight Commission provides fiscal oversight of the operations of the District. The District may be financed by gifts, grants, special taxes, general obligation bonds, and other sources of revenue authorized by law or any combination thereof.

The District and the Open Space Authority entered into a contract on February 4, 1991, which was amended on March 26, 1992. Among other things, the contract required the Authority to finance the purchase of interests in land by the District in exchange for the District's agreement to administer an acquisition program and to hold and maintain interests in land. With respect to individual purchases of interest in land, the contract further provided for a three-party escrow with the seller submitting an executed easement agreement in exchange for an agreed upon price, the District then recorded title to the interest in land and the Authority submitted the purchase price and a proportionate share of the closing costs. Thus the Authority financed the purchase price and the District recorded title to the interest in the land. That agreement terminated March 31, 2011. Beginning April, 2011, the OSSTA funds the acquisitions and the District continues to retain title.

The District has adopted an acquisition plan and has a staff of 27.5 permanent positions. As of June 30, 2016 the District has protected approximately 107,000 acres through conservation or open space easements and property held in fee.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

B. 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 activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collectible within 365 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

D. Deposits and Investments

In accordance with GASB Statement No. 31 and No. 72, the District reports cash and investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

E. Capital Assets

Capital asset balances at year end are reported in the government-wide financial statements in the Statement of Net Position. Capital and intangible assets are recorded at historical cost and include machinery and equipment, non-depreciable land and easements. The historical cost of the assets include the District's cost for the assets as well as donations applied to the purchase and associated costs such as direct labor, legal fees, appraisal fees, negotiation fees and other incidental expenses.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

F. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District accrues the liability for vacation benefits only, in accordance with GASB Statement No. 16. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

G. Net Position

Net position is classified into three components; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of associated notes payable.
- Restricted net position – This component of net position consists of net position with limits on their use that are imposed by outside parties.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

H. Fund Balance

The District's fund financial statements report governmental fund balances using the following classifications as stated in the provisions of GASB Statement No. 54:

- Nonspendable – amounts that are not in a spendable form or are to be maintained intact.
- Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation.
- Committed – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority.
- Assigned – amounts intended to be used by the government for specific purposes determined either by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – the residual classification for the general fund and includes all amounts not contained in the other classifications. This amount is technically available for any purpose.

In general, when both restricted and unrestricted resources are available, restricted resources are used first. When expenditures are made of unrestricted resources, the District first applies committed, then assigned and then unassigned resources.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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 during the reporting period. Actual results could differ from those estimates.

J. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest level input that is significant to the entire measurement.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 2 – Cash and Investments

The District follows the County’s practice of pooling cash and investments with the County Treasurer, except for the cash on hand used as a petty cash fund.

The amount of cash at June 30, 2016 is as follows:

Pooled investment in County Treasury	\$	7,686,516
Petty cash		150
Total	\$	7,686,666

The District’s cash and investments presented above include an unrealized gain adjustment to fair value of \$7,822.

Investment in the Sonoma County Treasurer’s Investment Pool

The District’s cash is pooled with the Sonoma County Treasurer, who acts as disbursing agent for the District. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). These investments are stated at a Level 2 fair value as required by generally accepted accounting principles. The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Investment Oversight Committee has oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District’s pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of principal, liquidity and yield.

The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the County investment policy is available upon request from the Sonoma County Auditor-Controller-Treasurer-Tax Collector’s Office at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403-2871.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 2 – Cash and Investments (Continued)

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. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2016, approximately 36.74 percent of the securities in the Treasury Pool had maturities of one year or less as reported by the Sonoma County Treasurer. Of the remainder, only 1.39 percent had a maturity of more than five years.

Disclosures Relating to 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. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2016 Sonoma County Comprehensive Annual Financial Report.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 3 – Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Transfers and Adjustments	Ending Balance
Capital assets not being depreciated:					
Land	\$ 59,120,340	\$ -	\$ -	\$ (60,667)	\$ 59,059,673
Intangible assets - easements	312,781,921	5,985,452	-	365,971	319,133,344
Land and easements- preacquisition costs	781,762	563,704	(57,898)	(305,304)	982,264
Construction in progress	83,251	94,032	-	-	177,283
Total capital assets not being depreciated	<u>372,767,274</u>	<u>6,643,188</u>	<u>(57,898)</u>	<u>-</u>	<u>379,352,564</u>
Capital assets being depreciated:					
Land improvements	698,836	36,536	-	-	735,372
Infrastructure	411,326	-	-	-	411,326
Machinery and equipment	16,465	35,199	-	-	51,664
Total capital assets being depreciated:	<u>1,126,627</u>	<u>71,735</u>	<u>-</u>	<u>-</u>	<u>1,198,362</u>
Less accumulated depreciation for:					
Land improvements	(18,434)	(30,470)	-	-	(48,904)
Infrastructure	(42,458)	(16,453)	-	-	(58,911)
Machinery and equipment	(16,465)	-	-	-	(16,465)
Total accumulated depreciation	<u>(77,357)</u>	<u>(46,923)</u>	<u>-</u>	<u>-</u>	<u>(124,280)</u>
Total capital assets being depreciated, net	<u>1,049,270</u>	<u>24,812</u>	<u>-</u>	<u>-</u>	<u>1,074,082</u>
Total capital assets	<u>\$ 373,816,544</u>	<u>\$ 6,668,000</u>	<u>\$ (57,898)</u>	<u>\$ -</u>	<u>\$ 380,426,646</u>

Land and easements - pre-acquisition costs represent funds expended towards the acquisition of land and easements that have not closed escrow. Upon the close of escrow these funds will be moved into the land and easement categories. In the event a property is not acquired, the funds associated with that property will be written off.

During the fiscal year ended June 30, 2016, the District recorded a loss on disposal of \$57,898 for pre-acquisition costs associated with properties that are no longer being targeted for acquisition.

NOTE 4 – Long Term Liabilities

Long term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Long-Term Liabilities				
Compensated Absences	\$ 182,211	\$ 257,543	\$ (249,685)	\$ 190,069
Net Pension Liability	1,227,521	1,516,526	(391,355)	2,352,712
Total Long-Term Liabilities	<u>\$ 1,409,732</u>	<u>\$ 1,774,069</u>	<u>\$ (641,040)</u>	<u>\$ 2,542,781</u>

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 5 – Intergovernmental Revenue and Open Space Special Tax Account (OSSTA)

As defined by Measure F, proceeds from the quarter cent sales tax are deposited into the Open Space Special Tax Account (OSSTA). The County Auditor-Controller-Treasurer-Tax Collector administers that account, thus it is not included within this report. For the fiscal year 2015-2016 the County recorded \$22,203,169 in sales tax in OSSTA. For the fiscal year 2015-16, the District recorded intergovernmental revenue of \$12,408,854 from OSSTA with \$5,688,537 going towards the purchase of Agricultural Preservation and Open Space assets, \$4,500,000 for District operations and \$2,220,317 to the O&M Fund. As of June 30, 2016 the cumulative calculation of funds available for expenditure on initial public access, operations and maintenance within the 10 percent cap was \$3,525,441.

In July 2015 the County refunded the 2007 Measure F Sales Tax Revenue Bonds and restructured them to include a \$30 million paydown of principal and a term shortened by seven years. With the issuance of the new Measure F Sales Tax Revenue Refunding Bonds Series 2015 A, OSSTA funded \$38,967,661 in debt service in fiscal year 15-16. The District transferred \$10,437,499 to the OSSTA fund as part of the principal reduction. Those funds had been in the Stewardship Reserve, and will be restored and augmented using anticipated savings of approximately \$7.5 million annually beginning in the seven years where there will no longer be a debt service payment.

NOTE 6 – Cost Applied

This represents the amount of services, supplies, salaries and benefits the District has capitalized as pre-acquisition costs (discussed in Note 3).

NOTE 7 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District is covered by the County's self-insurance program, which is accounted for in the County's Risk Management Internal Service Fund. The District is covered under this program for general liability, auto liability, public employees' performance/dishonesty and property insurance.

The County maintains self-insurance retention of \$1,000,000 per occurrence for general and automobile liability. Excess liability is maintained through participation in the California State Association of Counties, Excess Insurance Authority (CSAC-EIA). Limits of this coverage are \$25,000,000.

The County maintains "All Risk" property insurance including flood and earthquake coverage through participation in the CSAC-EIA Property Insurance Program. Limits of coverage are \$600,000,000 per occurrence for All Risk, \$490,000,000 for flood (limits vary in FEMA flood zones) and earthquake coverage with shared limits of \$690,000,000. Deductibles for most perils are \$50,000 per occurrence.

The County of Sonoma is permissibly self-insured for workers' compensation for its employees and volunteers. Excess workers' compensation coverage is obtained through participation in the CSAC-EIA.

During the fiscal year ended June 30, 2016, the District paid annual premiums to the County for this insurance coverage in the amount of \$12,632. Settlements have not exceeded coverage for each of the past three fiscal years.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 8 – Employee Retirement Plan

Plan Description

The Sonoma County Employees' Retirement Association (SCERA) was organized on January 1, 1946, under the provisions of the 1937 County Employees Retirement Act. SCERA, a cost-sharing, multiple-employer Defined Benefit Pension Plan (Plan), serves as a distribution agent for County Postemployment Healthcare Plan (PH Plan), and is legally separate of the County.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law by Governor Jerry Brown on September 12, 2012, with an effective date of January 1, 2013. All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B.

Plan members include all permanent employees appointed to a permanent position of at least half time for employees of the County of Sonoma, Valley of the Moon Fire District (District), and Superior Courts of California. Plan members are classified as either General or Safety (Safety e.g., eligible Sheriff, Fire, and Probation Department employees). Membership becomes effective on the first day of service. The Plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Supervisors and then shall be implemented by the Board of Retirement.

The financial statements for the County (the primary government) contain additional financial information for the defined pension benefits, which may not be presented here.

SCERA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Sonoma County Employee's Retirement Association, 433 Aviation Blvd., Suite 100, Santa Rosa, CA 95403-1069 or by calling 707-565-8100.

Funding Policy

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisors. The contribution rates for the fiscal year ended June 30, 2016 were based on the Plan's valuation dated December 31, 2013. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan A members are required to contribute 7% -13% of their annual covered salary based upon the member's age at the date of entry into the system and Plan B members are required to contribute 7.25% for General Plan B Employees and 11.75% for Safety Plan B Employees of their annual covered salary. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County and District payroll systems via employer benefit payments and employee deductions. For the fiscal year ended June 30, 2016, the District contributed \$391,335 or approximately 19.80% of covered payroll.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 8 – Employee Retirement Plan (Continued)

Post employment healthcare benefits are funded by employer contributions made on a periodic basis. The rate is determined annually by SCERA and approved by the Board of Supervisors. The rate is determined by dividing the estimated annual premium cost by the annual covered payroll. The financial statements of the County of Sonoma (the primary government) contain the financial information for the post-employment benefits, which are not presented here because the District’s portion cannot be separated from the whole.

Pension Liability, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2016, the District reported a liability of \$2,352,712 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2015, the District’s proportion was 0.570%, which was an increase of 0.71% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$533,736. 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 methods, and plan benefits. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 244,268
Changes in assumptions	342,519	-
Net difference between projected and actual earning on retirement plan investments	780,565	-
Changes in proportion and differences between District contributions and proportionate share of contributions	124,111	-
District contributions subsequent to the measurement date	201,827	-
Total	\$ 1,449,022	\$ 244,268

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The \$201,827 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 8 – Employee Retirement Plan (Continued)

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

Year ending June 30,	Amount
2017	\$ 261,464
2018	274,648
2019	311,255
2020	155,560
Total	\$ 1,002,927

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2015, the measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension plan liability	\$ 4,117,273	\$ 2,352,712	\$ 878,078

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 8 – Employee Retirement Plan (Continued)

Long-Term Expected Rate of Return by Asset Class

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expense, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table.

Asset Class	Policy Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	29.54%	5.72%
Small Cap U.S. Equity	7.20%	6.44%
Developed International Equity	18.90%	6.69%
Emerging International Equity	5.36%	8.67%
U.S. Core Fixed Income	13.50%	0.83%
Developed International Fixed Income	0.45%	0.31%
High Yield Fixed Income	0.60%	3.00%
Emerging Market Fixed Income	0.45%	3.92%
Real Estate	10.00%	4.61%
Farmland	5.00%	5.81%
Bank Loans	3.00%	2.18%
Unconstrained Bonds	3.00%	2.71%
Infrastructure	3.00%	6.25%
Total	100%	

NOTE 9 – Environmental Remediation

The District has performed an analysis of the buildings on the McCullough Ranch property and a conservation easement acquired in fiscal year 2009 and found asbestos and lead and a small amount of oil contaminated soil. The District has estimated cost of \$30,000 for the asbestos, lead and soil clean-up and has recorded a liability. The District has included a total of \$30,000 in estimated polluted remediation costs as part of its accounts payable balance at June 30, 2016. The District has taken it upon itself to perform the clean-up as there is no regulatory body involved.

Required Supplementary Information

**Sonoma County Agricultural Preservation
and Open Space District**
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*
**Schedule of the Plan's Proportionate Share of the
Net Pension Liability and Related Ratios as of
The Measurement Date**

	General Plan		
	12/31/2015	12/31/2014	12/31/2013
Plan's proportion of the Net Pension Liability (Asset)	0.570%	0.566%	0.521%
Plan's proportion share of the Net Pension Liability	\$ 2,352,712	\$ 1,227,521	\$ 1,269,050
Plan's Covered Employee Payroll	1,976,192	1,840,756	1,678,706
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	119.05%	66.69%	75.60%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.63%	90.88%	89.76%
Plan's Proportionate Share of Aggregate Employer Contributions	0.57%	0.55%	0.55%

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

**Sonoma County Agricultural Preservation
and Open Space District**
Cost-Sharing Multiple Employer Defined Pension Plan
Last 10 Years*
Schedule of Contributions

	General Plan	
	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarially determined contribution	\$ 391,335	\$ 338,060
Contributions in relation to the actuarially determined contributions	(391,335)	(338,060)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,976,192	\$ 1,840,756
Contributions as a percentage of covered-employee payroll	19.80%	18.37%

Notes to Schedule

Valuation date: 12/31/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Actuarial Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increases	(1)
Investment rate of return	7.50% (2)
Mortality	RP-2014 Healthy Annuitant Table projected 20 year with the two-dimensional scale MP20142D

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

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

**Sonoma County Agricultural Preservation and
Open Space District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund
For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Contributions from Open Space Special Tax Account	\$38,099,884	\$35,099,884	\$12,408,854	(\$22,691,030)
Grants - State	-	-	24,243	24,243
Grants - Federal	-	-	451,175	451,175
Grants - County	-	-	20,000	20,000
Donations	-	-	45,684	45,684
Rental income	15,000	15,000	7,690	(7,310)
Interest on pooled cash	260,000	60,000	8,413	(51,587)
Miscellaneous	-	-	3,285	3,285
Total revenues	<u>38,374,884</u>	<u>35,174,884</u>	<u>12,969,344</u>	<u>(22,205,540)</u>
Expenditures				
Current:				
Salaries and employee benefits	4,048,690	4,106,741	3,249,128	857,613
Services and supplies	6,167,668	8,708,029	7,061,177	1,646,852
Contribution to other government	3,031,808	3,031,808	956,182	2,075,626
Costs applied	-	-	(563,704)	563,704
Capital outlay:				
Land and easements	21,320,000	21,320,000	5,517,512	15,802,488
Buildings and improvement	1,435,000	1,816,123	434,001	1,382,122
Machinery and equipment	45,000	45,000	35,199	9,801
Preacquisition costs	-	-	563,704	(563,704)
Encumbrances	-	(3,071,346)	(3,321,360)	250,014
Total expenditures	<u>36,048,166</u>	<u>35,956,355</u>	<u>13,931,839</u>	<u>22,024,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,326,718</u>	<u>(781,471)</u>	<u>(962,495)</u>	<u>(181,024)</u>
Other financing sources (uses)				
Transfers in	2,720	2,720	-	2,720
Transfers out	(15,938)	(10,437,938)	(10,437,499)	(439)
Total other financing sources (uses)	<u>(13,218)</u>	<u>(10,435,218)</u>	<u>(10,437,499)</u>	<u>2,281</u>
Net change in fund balances	2,313,500	(11,216,689)	(11,399,994)	(183,305)
Fund balance - beginning of year	<u>18,426,126</u>	<u>18,426,126</u>	<u>18,426,126</u>	<u>-</u>
Fund balance - end of year	<u>\$20,739,626</u>	<u>\$7,209,437</u>	<u>\$7,026,132</u>	<u>(\$183,305)</u>

The notes to the required supplementary information are an integral part of this statement.

**Sonoma County Agricultural Preservation
and Open Space District
Notes to Required Supplementary Information
For the fiscal year ended June 30, 2016**

NOTE 1 – Supplementary Notes

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. The District's final budgetary information was amended during the year by resolution of the Board of Directors.

B. Encumbrances

The District has unexpended encumbrances of \$3,321,360 at June 30, 2016. These encumbrances represent commitments by the District for services related to the acquisition of land and easements and the stewardship of District owned properties.

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Other Supplementary Information

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**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
5/14/1992	Marty	Meacham Hill, Penngrove Olsen Lane (-06), Orchard Lane (-08)	Conservation Easement	\$ <u>503,639.00</u>
TOTAL FY 91-92				\$ <u>503,639.00</u>
3/8/1993	Cloudy Bend	5070 Lakeville Hwy., Petaluma Note: Coastal Conservancy granted \$350,000	Conservation Easement	\$102,607.50
5/25/1993	Sebastopol	Portion of Railroad Right-of-Way	Conservation Easement	<u>21,313.75</u>
TOTAL FY 92-93				\$ <u>123,921.25</u>
7/27/1993	Doerksen	7125 St. Helena Road Santa Rosa, CA	Conservation Easement	\$ 109,936.25
8/31/1993	Alba Lane	4260 Alba Lane Santa Rosa, CA	Conservation Easement	300,707.90
9/14/1993	White	4205 Coffey Lane & 188 E. Fulton Road, Santa Rosa, CA	Conservation Easement	454,494.25
9/14/1993	St. Francis Vineyards	Hwy 12 at Adobe Canyon Road Kenwood, CA	Conservation Easement	886,327.11
9/14/1993	Vasila	6018 Bloomfield Road Petaluma, CA	Conservation Easement	128,158.49

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
9/21/1993	Brown	374 Horn Avenue Santa Rosa, CA	Conservation Easement	197,865.52
10/19/1993	Burns	2505 & 2245 Spring Hill Road West Petaluma, CA	Conservation Easement	431,371.80
4/12/1994	St. Luke's	4111 Old Redwood Hwy. Santa Rosa, CA	Conservation Easement	342,602.58
6/14/1994	Cotati Highlands	1300 W. Sierra Avenue 10 Summit Grade Road 8795 & 8800 Pine Lane 333 & 335 Pine Grove Road Stony Point Road, Cotati, CA	Conservation Easement	2,089,204.35
06/14/0994	Dougan	5510 Bloomfield Road Petaluma, CA	Conservation Easement	<u>355,432.90</u>
TOTAL FY 93-94				\$ <u>5,296,101.15</u>
8/22/1994	Lorenzini Property	22477 Koftinow Drive Timber Cove, CA	Conservation Easement	\$ 520,058.72
9/1/1994	De Loach Property	10540 Los Amigos Road Healdsburg, CA	Conservation Easement	540,448.31
9/1/1994	Ziedrich Property	10536 Los Amigos Road Healdsburg, CA	Conservation Easement	144,332.50
9/2/1994	San Francisco Archdiocese	4547 Whistler Avenue Santa Rosa, CA	Fee Purchase	150,883.48

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
9/15/1994	Ratchford Property	Fitch Mountain Healdsburg, CA	Conservation Easement	1,042,247.84
12/16/1994	Pieter Myers	19999 Coleman Valley Occidental, CA	Conservation Easement	108,273.75
12/30/1994	Maacama Valley Partners National Audubon Society	Juncture of Alexander Valley & Knights Valley vicinity of Pine Flat Road	Conservation Easement	722,972.50
2/2/1995	Fox Healdsburg Ridge	Poppy Hill & El Arroyo Healdsburg, CA	Conservation Easement	154,938.53
2/2/1995	Diggers Bend	Poppy Hill & El Arroyo Healdsburg, CA	Conservation Easement	305,304.99
4/28/1995	Stony Point Ranch	6700 Gravenstein Hwy Cotati, CA	Conservation Easement	485,867.56
5/23/1995	Haroutunian	200 Scenic Avenue Rohnert Park, CA	Fee Purchase	185,811.01
5/31/1995	Graton Right of Way	Occidental Road to Grey Street near Graton, from Graton Road to Green Valley Road, and from point south of Ross Station to Key Lane	Conservation Easement	174,356.00
6/15/1995	Carinalli	2900 Llano Road Santa Rosa, CA	Conservation Easement	768,149.66

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
6/30/1995	Lang Property	3115 Porter Creek Road Santa Rosa, CA	Conservation Easement	<u>1,259,634.28</u>
TOTAL FY 94-95				\$ <u>6,563,279.13</u>
9/7/1995	Silberstein	5531 Kay Drive Santa Rosa, CA	Conservation Easement	\$ 204,853.49
9/15/1995	Dutton	8610, 8611 Oak Grove Avenue Graton, CA	Conservation Easement	325,361.33
9/22/1995	Freiberg	2400 Sobre Vista Road Sonoma, CA	Conservation Easement	959,704.37
9/22/1995	Henshaw	2400 Sobre Vista Road Sonoma, CA	Conservation Easement	314,798.00
11/15/1995	Silacci Dairy	4170 Lakeville Hwy Petaluma, CA	Conservation Easement	503,777.62
12/12/1995	Nicholas Turkey Farms	2676 Napa Road Sonoma, CA	Conservation Easement	1,412,600.78
1/3/1996	Santa Angelina Ranch/ McMicking	12629 Hwy 128 Knights Valley, CA	Conservation Easement	1,743,230.11
1/8/1996	McCormick Ranch	Langtry Road St. Helena, CA	Conservation Easement	1,712,147.95

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
1/19/1996	Matteri	3820 Petaluma Hill Road Santa Rosa, CA	Conservation Easement	401,535.50
3/29/1996	Moon Ranch – Pfindler	3268 Old Adobe Road Petaluma, CA	Conservation Easement	1,439,122.93
4/3/1996	Unity Church Property	4351 Old Redwood Hwy. Santa Rosa, CA		422,523.92
4/10/1996	Andersen	North Cloverdale on Russian River	Conservation Easement	228,004.76
05/03/1996 & 5/28/1996	Palm Terrace Conservation Easement	City limits of Sebastopol west edge of Laguna de Santa Rosa	Conservation Easement	913,432.35
5/24/1996	Mickelsen	Mecham and Pepper Roads Northwest of Petaluma, CA	Conservation Easement	677,379.69
5/30/1996	Alman Marsh	East of Hwy 101 between Marina and former city landfill	Conservation Easement	60,991.25
6/7/1996	Herzog (Sleepy Hollow)	Mecham and Pepper Roads Northwest of Petaluma	Conservation Easement	<u>997,397.59</u>
TOTAL FY 95-96				\$ <u>12,316,861.64</u>
7/5/1996	Treadwell	31820 McCray Road Cloverdale, CA	Conservation Easement	\$ 105,027.50

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
7/23/1996	Knudtsen	3150 Robler Road Petaluma, CA		428,244.26
9/4/1996	Guttman (Lang)	13000 Los Amigos Road Healdsburg, CA (NW of Porter Creek Road / Franz Valley Road)	Conservation Easement	406,196.85
9/26/1996	Callahan (Raja Dev.)	North of Highland Circle / East of Poppy Hill Drive Healdsburg, CA	Conservation Easement	559,332.00
10/14/1996	McNear Peninsula (Lind)	100 East D Street Petaluma, CA	Conservation Easement	192,111.50
12/11/1996	Weston (Sotoyome Highlands)	13000 Los Amigos Road Healdsburg, CA	Conservation Easement	1,667,916.25
4/25/1997	Yee	4871 Redwood Hwy., South Petaluma, CA	Conservation Easement	803,641.36
5/19/1997	Young/Armos	4315 Snyder Lane 4314 Hunter Avenue Santa Rosa, CA	Fee Purchase	376,574.50
5/29/1997	McCormick Ranch	Los Alamos Road Santa Rosa, CA	Conservation Easement	<u>667,046.44</u>
TOTAL FY 96-97				\$ <u>5,206,090.66</u>
7/23/1997	McCrea	Vigilante Road Glen Ellen, CA	Conservation Easement	\$ 1,208,560.80

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
7/31/1997	Geary	5525 Bennett Valley Road Santa Rosa, CA	Conservation Easement	2,322,335.50
9/5/1997	Hepper	Estero Lane Bodega, CA	Conservation Easement	294,357.05
11/3/1997	Morrison Brothers	5151 Stony Point Road Santa Rosa, CA	Conservation Easement	388,443.93
12/11/1997	Keegan & Coppin	Bennett Valley Road (Vacant Lot) Santa Rosa, CA	Fee Purchase	558,401.40
1/15/1998	Magers (Gray Creek PTN)	Gray Creek Road / Off Mill Creek Road Healdsburg, CA	Conservation Easement	90,215.51
1/21/1998	Cramer	Hall / Occidental Roads Santa Rosa, CA	Fee Purchase	1,667,016.50
2/17/1998	Stein	10801, 10806, 10808, 10810, 10900 Hillview Rd / Arata Ln Windsor, CA	Conservation Easement	1,634,576.65
2/20/1998	Aggio	2888 Stony Point Road Santa Rosa, CA	Conservation Easement	494,323.02
2/27/1998	Haroutunian North	Airport Boulevard Santa Rosa, CA	Fee Purchase	408,311.65
3/11/1998	Gustafson (Gray Creek PTN)	Gray Creek Road / Off Mill Creek Road Healdsburg, CA	Conservation Easement	143,730.13

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
4/13/1998	Oken	5057 Petaluma Hill Road Rohnert Park, CA	Fee Purchase	<u>897,660.30</u>
TOTAL FY 97-98				<u>\$ 10,107,932.44</u>
8/4/1998	Dashiell/Molle	Between Santa Rosa and Rohnert Park East side of Petaluma Hill Road	Conservation Easement	\$ 336,322.00
8/14/1998	White II	Coffey Lane, Santa Rosa	Conservation Easement	241,614.00
9/30/1998	Hafey	Knights Valley along Hwy 128 South of Franz Valley Road	Conservation Easement	910,487.00
12/21/1998	Bath/Watt	Along prominent ridgeline SE of Santa Rosa, on Northern side of Taylor Mountain	Conservation Easement	824,241.00
1/6/1999	Sonoma Developmental Center - Area 1	Sonoma Valley, adjacent to Jack London Park	Conservation Easement	262,705.00
2/4/1999	Monte Rio School	9725 Main Street, south of Monte Rio Community Center	Conservation Easement	197,684.00
4/16/1999	Bodega Bay Firehouse Fire Protection District	Highway One Scenic Corridor	Conservation Easement	53,785.00
4/23/1999	Mazzetta	NW of Petaluma at junction of Pepper Road and Mecham Roads	Conservation Easement	1,000,839.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
4/23/1999	Mom's Beach (Notter Property)	Northwest of Forestville, River Road adjacent to Russian River	Conservation Easement	81,561.00
5/18/1999	Skiles	North of Glen Ellen, adjacent to Jack London State Park	Conservation Easement	646,987.00
6/1/1999	Good (Nathanson Creek)	Park/Sonoma Valley High School	Conservation Easement	101,687.00
6/25/1999	Nahmens	East and West sides of Canfield Road south of Sebastopol	Conservation Easement	<u>1,166,429.00</u>
TOTAL FY 98-99				\$ <u>5,824,341.00</u>
12/23/1999	Nunes Fee	Panorama Drive Santa Rosa, CA	Conservation Easement	\$ 987,791.00
1/5/2000	Colliss	Coleman Valley Road Occidental, CA	Conservation Easement	1,049,574.00
1/12/2000	Town of Windsor (Windsor Town Green)	Bell Road Windsor, CA	Conservation Easement	776,816.00
1/19/2000	Matteri Fee	Petaluma Hill Road Santa Rosa, CA	Fee Purchase	473,128.00
1/21/2000	Mickelsen/Camozzi	Pepper and Walker Roads Sonoma County, CA	Conservation Easement	<u>1,516,125.00</u>
TOTAL FY 99-00				\$ <u>4,803,434.00</u>

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
9/13/2000	Val Alstyne	Fitzpatrick Lane Occidental, CA	Conservation Easement	\$ 1,272,910.00
10/4/2000	Cook	Lichau Road Penngrove, CA	Conservation Easement	1,711,894.00
12/6/2000	Modini	Pine Flat Road Healdsburg, CA	Conservation Easement	1,060,730.00
12/7/2000	Sequeira / Red Hill	Coast Hwy 1 Jenner, CA	Conservation Easement	1,428,759.00
12/29/2000	Solak	Railroad Avenue Forestville, CA	Conservation Easement	176,454.00
5/4/2001	Ho	Petaluma Hill Road Rohnert Park, CA	Fee Purchase	569,860.00
5/11/2001	Dewar	1660 Estero Lane Bodega Bay, CA	Conservation Easement	291,574.00
5/18/2001	Glen Oaks	Hwy 12 Glen Ellen, CA	Conservation Easement	<u>1,511,825.00</u>
TOTAL FY 00-01				\$ <u>8,024,006.00</u>
12/12/2001	Laguna de Santa Rosa (Donated)	Geysers Pipeline	Conservation Easement	\$ 41,785.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
12/17/2001	Cooley Ranch	Cooley Ranch Road Cloverdale, CA	Conservation Easement	5,887,575.00
1/10/2002	Ielmorini Property	13601 State Hwy 1 Valley Ford, CA	Conservation Easement	1,815,589.00
1/18/2002	Cloverdale River Park	31650 McCray Road Cloverdale, CA	Conservation Easement	65,765.00
1/29/2002	Azevedo Dairy	820 Fallon Road Santa Rosa, CA	Conservation Easement	1,762,344.00
3/20/2002	Morelli Property	500 Morelli Vista Road Santa Rosa, CA	Conservation Easement	2,187,178.00
4/5/2002	Martin Property	Valley Ford Road Petaluma, CA	Conservation Easement	1,610,287.00
4/18/2005	Balletto Ranch	5700 Occidental Road Santa Rosa, CA	Conservation Easement	2,632,820.00
5/3/2002	Bianchi Property	15000 Hwy 1 Valley Ford, CA	Conservation Easement	<u>1,527,517.00</u>
TOTAL FY 01-02				\$ <u>17,530,860.00</u>
7/31/2002	Paulin Creek Property Sass (Chanate Trail)	3100 Chanate Road Santa Rosa, CA	Fee Purchase	\$ 1,615,337.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
8/16/2002	Scott Property	700 Hardin Lane Petaluma, CA	Conservation Easement	3,373,245.00
8/16/2002	McCullough Property	Mark West Springs Road Santa Rosa, CA	Conservation Easement	2,923,109.00
8/30/2002	Town of Windsor Keiser Park	630 Windsor River Road Windsor, CA	Conservation Easement	1,149,765.00
9/17/2002	Rigler Property	Coleman Valley Road Bodega, CA	Conservation Easement	875,856.00
10/9/2002	Hanson Aggregates Parcel	7821 Eastside Road Healdsburg, CA	Conservation Easement	4,042,301.00
10/31/2002	Cloverdale River Park	31638 McCray Road Cloverdale, CA	Conservation Easement	22,024.00
12/24/2002	Keen Property	16331 Norrbom Road Sonoma, CA	Conservation Easement	360,566.00
12/27/2002	Prince Memorial Greenway	1000 Second Street Santa Rosa, CA	Conservation Easement	3,080,201.00
12/31/2002	Grossi Property	6300 Petaluma Hill Road Petaluma, CA	Conservation Easement	330,879.00
1/31/2003	Sunset Beach Property	11057 Sunset Avenue Forestville, CA	Conservation Easement	636,915.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
3/11/2003	Asborn Property	16488, 16492 Healdsburg Ave Healdsburg, CA	Fee Purchase	4,285,288.00
3/25/2003	Johnson Property	7555 Sonoma Highway Santa Rosa, CA	Conservation Easement	3,077,498.00
3/25/2003	Johnson Access Property	7557 Sonoma Highway Santa Rosa, CA	Conservation Easement	1,028,487.00
5/16/2003	Carrington Property	3800, 4000, 4300 & 4500 Hwy One, Coleman Valley Rd Bodega Bay, CA	Fee Purchase	4,882,273.00
5/30/2003	Brayton Property	1797, 1799 Pepper Road Petaluma, CA	Conservation Easement	<u>1,316,268.00</u>
TOTAL FY 02-03				\$ <u>33,000,012.00</u>
7/16/2003	Indian Valley Property	5610 Maryannis Drive Santa Rosa, CA	Conservation Easement	\$ 478,043.00
7/31/2003	Connolly Property	27285 Dutcher Creek Road Cloverdale, CA	Conservation Easement	266,505.00
8/13/2003	Jacobs Ranch	5297 Sonoma Mountain Road Santa Rosa, CA	Fee Purchase	4,919,749.00
11/10/2003	Fox Pond Property	16496 Healdsburg Avenue Healdsburg, CA	Fee Purchase	2,905,833.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
1/29/2004	Skiles Property	6560 Sonoma Mountain Road Santa Rosa, CA	Fee Purchase	224,894.00
2/26/2004	Flocchini Property	7078 Lakeville Highway Petaluma, CA	Conservation Easement	794,322.00
2/27/2004	Petaluma River Marsh Enhancement	Lakeville Highway Petaluma, CA	Conservation Easement	1,105,920.00
4/30/2004	Wilroth Property	Lichau Road Sonoma County, CA	Conservation Easement	2,255,695.00
5/21/2004	Roblar Ranch Property	7175 Roblar Road Petaluma, CA	Conservation Easement	2,292,062.00
5/28/2004	Eliot Property	5850 Grove Street Sonoma, CA	Conservation Easement	<u>17,090.00</u>
TOTAL FY 03-04				\$ <u>15,260,113.00</u>
7/14/2004	Van Hoosear Wildlife Preserve	2290 Grove Street Sonoma, CA	Conservation Easement	\$ 5,402,122.00
10/13/2004	Maffia Property	12001 Valley Ford Road Petaluma, CA	Conservation Easement	1,168,446.00
10/21/2004	Sebastopol Skate Park and Community Garden	Laguna Park Way Petaluma, CA	Conservation Easement	132,176.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
10/22/2004	Beltane Ranch Property	11775 Sonoma Highway Glen Ellen, CA	Fee Purchase	9,182,041.00
11/2/2004	Dickson Property	7699 Reclamation Road Petaluma, CA	Conservation Easement	4,282,207.00
12/1/2004	Wilroth Property	Lichau Road Sonoma County, CA	Fee Purchase	59,555.00
1/31/2005	Cooper's Grove	5761 Sonoma Mountain Road Santa Rosa CA	Fee Purchase	4,926,873.00
3/15/2005	Summer Home Park	11453 River Road Forestville, CA	Conservation Easement	399,098.00
5/6/2005	Willow Creek	19100 Willow Creek Road 24110 Freezeout Road 2330 Willow Creek Road Sonoma County, CA	Conservation Easement	<u>20,923,138.00</u>
TOTAL FY 04-05				\$ <u>46,475,656.00</u>
9/29/2005	Tolay Lake Ranch	5869 Lakeville Highway Petaluma, CA	Conservation Easement	\$ 21,794,852.00
10/7/2005	Lawson Property	6280 Melita Road Santa Rosa, CA	Fee Purchase	1,183,695.00
10/7/2005	Prince Gateway Park	Santa Rosa Creek Santa Rosa, CA	Conservation Easement	420,963.00
12/20/2005	Camp Gualala	27010 Skaggs Spring Road	Conservation	894,878.00

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
			Easement	
		Annapolis, CA		
12/15/2005	Montini Property	18950 Fifth Street West Sonoma, CA	Fee Purchase	12,687,523.00
12/15/2005	Montini Property	18951 Fifth Street West Sonoma, CA	Conservation Easement	1,350,000.00
1/13/2006	Taylor Mountain Property	2100 Kawana Terrace Road Santa Rosa, CA	Conservation Easement	<u>18,174,418.00</u>
TOTAL FY 05-06				\$ <u>56,506,329.00</u>
9/8/2006	Crane Property	5900 Petaluma Hill Road Santa Rosa, CA	Conservation Easement	\$ 1,112,378.48
8/24/2006	Saddle Mountain Property	Calistoga & Helena Roads Sonoma County, CA	Fee Purchase	14,714,525.00
7/3/2006	Santa Rosa Creek 3 Bridges	Santa Rosa, CA	Conservation Easement	7,950.00
6/22/2007	Sonoma Developmental Center Area 3	14400 Sonoma Highway, Sonoma County, CA	Conservation Easement	586,881.00
4/18/2007	Tremari	5767 & 5775 Bloomfield Road Unincorporated Petaluma, CA	Conservation Easement	3,185,447.13
TOTAL FY 06-07				\$ <u>19,607,181.61</u>
6/5/2008	Quailbrook Ranch	6450 Quailbrook Lane Penngrove, CA	Conservation Easement	\$ 1,647,162.93
12/31/2007	Hayfork Ranch	5240 St. Helena Road	Conservation Easement	668,197.58

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
11/15/2007	Cresta Property	Santa Rosa, CA 3035 Porter Creek Road, Santa Rosa, CA	Conservation Easement	3,142,034.65
9/28/2007	Poff Property	8000 State Highway 1	Conservation Easement	5,650,183.47
9/28/2007	Clover Springs Property	Bodega Bay, CA Skyview Drive	Conservation Easement	7,840,666.65
9/28/2007	Pitkin Marsh Property	Cloverdale, CA 4869 North Gravenstein Highway Sebastopol, CA	Conservation Easement	404,855.50
12/21/2007	Roche Property	West Line of Highway 121 Sonoma County, CA	Conservation Easement	2,013,611.24
TOTAL FY 07-08				\$ 21,366,712.02
10/14/2008	Prince Memorial Greenway	Santa Rosa, CA	Conservation Easement	\$ 879,216.91
10/16/2008	Laguna de Santa Rosa	Sebastopol, CA	Conservation Easement	688,047.45
10/16/2008	Falletti Ranch	Cotati, CA	Conservation Easement	3,161,087.85
11/14/2008	Occidental Road	Sonoma County, CA	Fee Purchase	106,442.44
12/30/2008	Sonoma Mtn Ranch	Petaluma, CA	Fee Purchase	10,033,549.19
1/15/2009	Russian Riverkeeper Stewardship Park	Guerneville, CA	Conservation Easement	50,000.00
3/24/2009	North Slope Mtn Trail	Healdsburg, CA	Conservation Easement	2,890.00
4/17/2009	Pacheco Dairy	Petaluma, CA	Conservation Easement	1,530,844.32
5/28/2009	Cooke Ranch	Sonoma, CA	Conservation Easement	1,056,593.87
6/30/2009	Gilardi Ranch	Bodega, CA	Conservation Easement	1,654,816.16
6/30/2009	Petaluma Marsh Improvements	Petaluma, CA	Conservation Easement	816,554.00
TOTAL FY 08-09				\$ 19,980,042.19

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
9/14/2009	McCullough Phase I	Santa Rosa, CA	Conservation Easement	\$ 8,555,047.60
9/16/2009	Patterson Point	Villa Grande, CA	Conservation Easement	122,381.00
9/24/2009	Quinlan/Noonan	Bodega Bay, CA	Conservation Easement	1,893,040.86
9/24/2009	Sittenauer	Sebastopol, CA	Conservation Easement	446,235.89
12/6/2009	Jenner	Jenner, CA	Conservation Easement	39,470,789.00
12/7/2009	Riddel	Healdsburg, CA	Conservation Easement	819,917.00
12/18/2009	Smith Family Ranch	Petaluma, Ca	Conservation Easement	2,357,377.00
2/26/2010	Burbank Ave Property	Santa Rosa, CA	Conservation Easement	2,441,637.00
3/17/2010	O'Brien Property	Sebastopol, CA	Conservation Easement	221,393.00
3/30/2010	Danielli Ranch	Santa Rosa, CA	Conservation Easement	1,689,615.61
5/7/2010	Taylor Mountain: Farmers Lane Extension - Sale to City of Santa Rosa	Santa Rosa, CA	Conservation Easement	(211,000.00)
6/29/2010	Crane Home Ranch	Rohnert Park, CA	Conservation Easement	416,630.94
6/30/2010	Bayer Property	Santa Rosa, CA	Conservation Easement	1,336,940.34
6/30/2010	Giorgi Park Rehabilitation	Healdsburg, CA	Conservation Easement	522,062.00
TOTAL FY 09-10				\$ 60,082,067.24
7/1/2010	Giorgi Park - Phase 2	Healdsburg, CA	Conservation Easement	\$ 728,745.30
3/1/2011	Burbank Ave Educational/Recreation	Santa Rosa, CA	Conservation Easement	3,507,321.39
9/23/2010	Uncle Henry's Ranch	Petaluma, CA	Conservation Easement	1,036,453.24
6/7/2011	Van Steyn	Santa Rosa, CA	Conservation Easement	116,408.22

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
6/30/2011	Smith Family Ranch	Petaluma, CA	Conservation Easement	300.00
TOTAL FY 10-11				\$ 5,389,228.15
7/26/2011	Klesko	Cloverdale, CA	Conservation Easement	\$ 1,858,614.96
10/14/2011	Meadowlark Field	Sebastopol, CA	Conservation Easement	4,859.48
11/18/2011	Sonoma Garden Park	Sonoma, CA	Conservation Easement	112,105.93
12/20/2011	Sonoma Country Inn (Auberge)	Santa Rosa, CA	Fee and Conservation Easement	2,884.65
12/21/2011	Pryor Ranch	Santa Rosa, CA	Conservation Easement	2,718,776.37
5/14/2012	Paula Lane	Petaluma, CA	Conservation Easement	1,081,807.19
5/25/2012	Bordessa Ranch	Valley Ford, CA	Conservation Easement	<u>1,861,639.92</u>
TOTAL FY 11-12				\$ 7,640,688.50
5/29/13	Buckeye Forest	Annapolis, CA	Conservation Easement	<u>\$ 5,548,997.72</u>
TOTAL FY 12-13				\$ 5,548,997.72
10/28/2013	Forever Forestville	Forestville, CA	Conservation Easement	\$ 486,165.17
2/20/2014	Yee	4871 Redwood Hwy., South Petaluma, CA	Conservation Easement	(6,333.99)
4/16/2014	Cresta II	3000 Porter Creek Road, Santa Rosa, CA	Conservation Easement	434,964.13
5/13/2014	Eliot Trail	Forestville, CA	Conservation Easement	91,816.17

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
6/26/2014	Pole Mountain	Jenner, CA	Conservation Easement	1,537,299.42
6/30/2014	Hillick	Guerneville, CA	Conservation Easement	5,961.01
TOTAL FY 13-14				\$ 2,549,871.91
7/2/2014	North Slope Rem ROW Esmt	Sonoma, CA	Easement	\$ 9,000.00
8/12/2014	Haroutunian North	Airport Boulevard, Santa Rosa, CA	Fee Title	(34,926.00)
10/21/2014	Curreri	Jenner, CA	Conservation Easement	590,318.91
11/12/2014	Fitch Mountain II	Healdsburg, CA	Conservation Easement	1,851,895.27
6/30/2015	O'Brien Property	Sebastopol, CA	Conservation Easement	(221,393.00)
TOTAL FY 14-15				\$ 2,194,895.18
8/31/15	Jones Dairy	Penngrove, CA	Conservation Easement	\$ 660,767.93
11/18/15	Kashia Coastal Reserve	Sonoma Coast, CA	Conservation Easement	2,847,896.49
12/24/15	Estero Ranch	Bodega Bay, CA	Conservation Easement	1,993,008.14
4/8/16	Colgan Creek	Santa Rosa, CA	Conservation Easement	467,940.00
4/15/16	Rancho Mark West	Santa Rosa, CA	Conservation Easement	301,465.43
5/9/16	Sebastopol Skategarden Extension	Sebastopol, CA	Conservation Easement	19,678.17
TOTAL FY 15-16				\$ 6,290,756.16

**Sonoma County Agricultural Preservation
and Open Space District
Schedule of Interests in Land
June 30, 2016**

<u>Date of Original Acquisition</u>	<u>Property Name</u>	<u>Property Address Or Location</u>	<u>Current Interest</u>	<u>Asset Value⁽¹⁾</u>
Total Interests In Land And Easements as of June 30, 2016				\$ <u>378,193,017.35</u>

(1) The Asset Value column on this schedule includes costs associated with obtaining the property, beyond the acquisition cost, such as 3rd party contributions, appraisal costs, closing costs and District staff labor related to the acquisition. Note 1.E of the District's basic financial statements provides details of asset valuation.

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STATISTICAL SECTION

This part of the District's Basic Financial Statements presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District and County's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

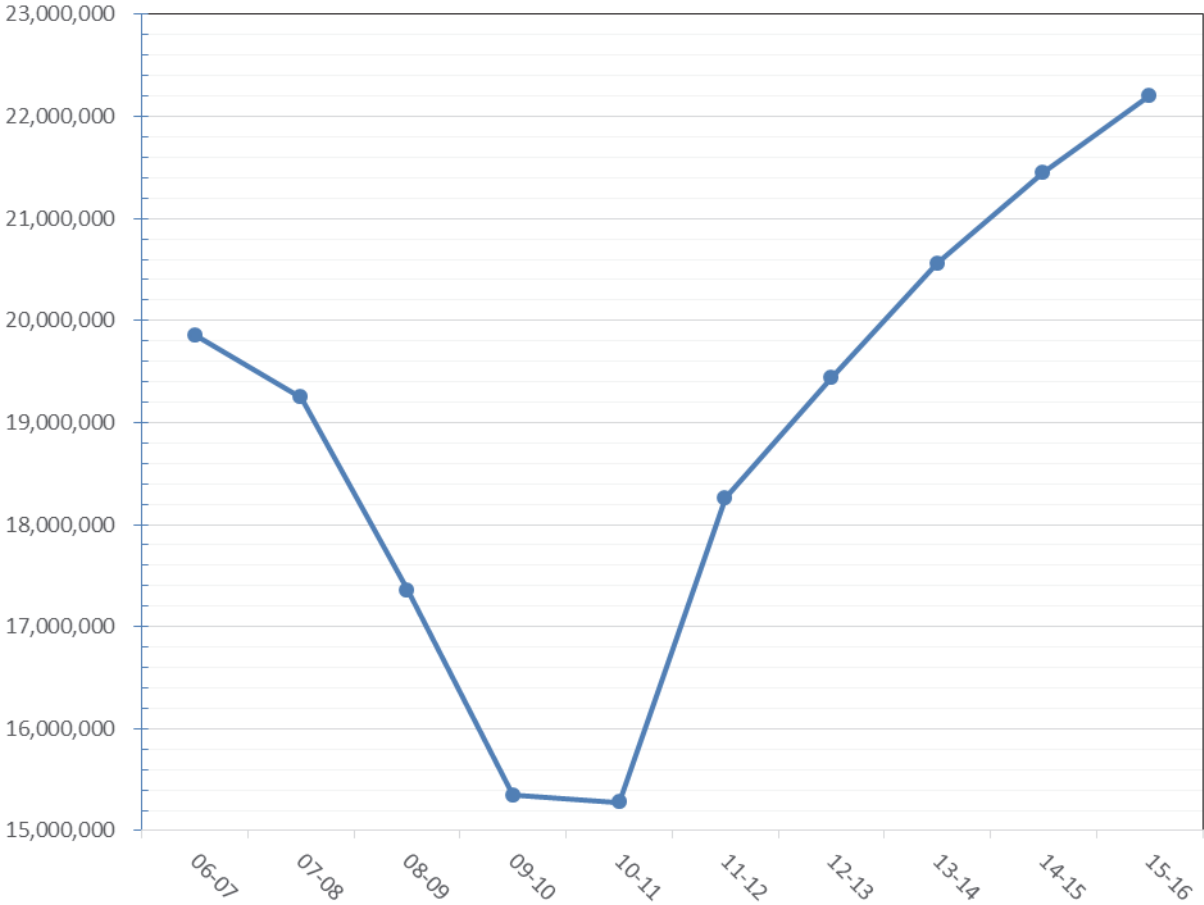
Financial Trends

These schedules contain trend information to help the reader understand how the District and County's financial performance and wellbeing have changed over time:

1. Sales Tax Collected in Sonoma County, 1990 Measure C and 2006 Measure F
2. Debt Service Required from the Open Space Special Tax Account, Measure F Bonds
3. Cash Balance in Open Space Special Tax Account

Sonoma County Agricultural Preservation and Open Space District Fiscal Year Ended June 30, 2016

Sales Tax Revenue in Sonoma County 1990 Measure C and 2006 Measure F



Fiscal Year	Sales Tax Revenue
06-07	19,858,791
07-08	19,249,112
08-09	17,359,171
09-10	15,348,517
10-11	15,278,741
11-12	18,260,198
12-13	19,443,954
13-14	20,557,321
14-15	21,452,209
15-16	22,203,169

Sonoma County Agricultural Preservation and Open Space District Fiscal Year Ended June 30, 2016

Debt Service Required for the Open Space Special Tax Account Measure F Bonds

Fiscal Year	Total Debt Service
2016	7,503,388
2017	7,502,750
2018	7,503,000
2019	7,505,500
2020	7,506,125
2021-2024	29,057,875

Cash Balance in Open Space Special Tax Account Last Five Years

Fiscal Year	Total Debt Service
2012	58,572,627
2013	66,319,957
2014	69,027,266
2015	71,595,724
2016	52,958,777

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

To the Board of Directors
Sonoma County Agricultural Preservation and Open Space District
Santa Rosa, 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 basic financial statements of the Sonoma County Agricultural Preservation and Open Space District, as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated October 6, 2016. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

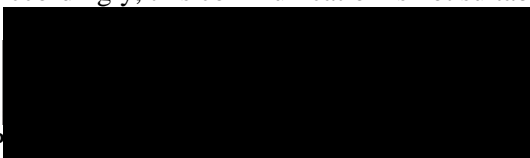
Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated October 6, 2016 which is an integral part of our audit and should be read in conjunction with this report.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 6, 2016