



**MONTEREY PENINSULA REGIONAL PARK DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

MONTEREY PENINSULA REGIONAL PARK DISTRICT

TABLE OF CONTENTS

June 30, 2015

	<u>Page Number</u>
Board of Directors	1
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis (Required Supplementary Information)	4 - 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund	11
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	14
Notes to Basic Financial Statements	15 - 51
Required Supplementary Information:	
CalPERS Pension Plans:	
Schedule of Proportionate Share of the Net Pension Liability	52
Schedule of Contributions	53
PARS Pension Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	54
Schedule of Contributions	55
Other Post-Employment Benefit Plan:	
Schedule of Funding Progress	56
Budgetary Comparison Schedule - General Fund	57 - 59
Note to Required Supplementary Information	60
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61 - 62

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BOARD OF DIRECTORS

June 30, 2015

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kelly Sorenson	President	December 31, 2016
Katie Pofahl	Secretary/Treasurer	December 31, 2018
Shane Anderson	Director	December 31, 2016
Kathleen Lee	Director	December 31, 2018
John Dalessio	Director	December 31, 2018

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Monterey Peninsula Regional Park District  
Monterey, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Monterey Peninsula Regional Park District (the District), as of and for the year ended June 30, 2015, 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

## Emphasis of Matter

As discussed in Notes 1D and 14 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68.*" The adoption of these standards required retrospective application resulting in a \$2,074,031 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions for the CalPERS pension plans, the schedule of changes in net pension liability and related ratios and the schedule for contributions for the PARS pension plan, the schedule of funding progress for the other post-employment benefit plan, and the budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
January 11, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MONTEREY PENINSULA REGIONAL PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

This section of Monterey Peninsula Regional Park District's (the District) annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ended June 30, 2015. Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's basic financial statements. Comparisons to and analysis of the prior year are incorporated where appropriate.

**FINANCIAL HIGHLIGHTS**

- The District's net position increased by \$2,953,365 for the year ended June 30, 2015. Since the District engages only in governmental-type activities, the increase is fully represented in the category of "governmental-type" net position. Net position was \$65,168,730 as of June 30, 2015, and \$62,215,365 restated for fiscal year 2013-14 which ended June 30, 2014. The restated net position is mainly due to the retrospective accounting changes to pension assets and liabilities required by GASB 68 and 71.
- The District's total general revenues were \$3,418,638 and expenses were \$3,096,067 for the year ended June 30, 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide financial statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

The financial statements include: a Statement of Net Position; Statement of Activities; Balance Sheet - Governmental Fund; Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position; Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund; Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities; Notes to Basic Financial Statements; an Independent Auditor's Report thereon; a Budgetary Comparison Statement by Department - General Fund; and, this MD&A. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the District's financial condition.

**Statement of Net Position**

The Statement of Net Position is a report of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Assets and liabilities are reported at book value, on an accrual basis as of the statement date. Net position is reported in major categories reflecting any restriction thereon.

**Statement of Activities**

The Statement of Activities presents the District's revenues earned and expenses incurred during the year on an accrual basis.

**MONTEREY PENINSULAR REGIONAL PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

The District has adopted Governmental Accounting Standard's Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, as part of its fiscal reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

**COMPARATIVE ANALYSIS**

Statement of Net Position

A comparative summary of the District's Statement of Net Position as of June 30, 2015 and 2014, respectively is as follows:

	2015	2014 - Restated
<b>ASSETS</b>		
Cash	\$ 1,164,600	\$ 274,551
Investments	10,360,614	9,910,467
Grants receivable	-	550,000
Other receivables	71,729	26,847
Prepaid expenses	101,639	120,717
Property acquisition deposit	240,000	180,000
Net OPEB asset	986,851	1,043,259
Pension asset	47,475	52,263
Capital assets	61,691,932	54,142,146
Total assets	74,664,840	66,300,250
<b>DEFERRED OUTFLOWS</b>		
Deferred amounts on pensions	335,206	248,891
Total deferred outflows	335,206	248,891
<b>LIABILITIES</b>		
Current	327,655	353,318
Current portion of long-term debt	1,340,332	1,532,384
Long-term liabilities	5,723,727	72,889
Pension liability	1,973,232	2,375,185
Total liabilities	9,364,946	4,333,776
<b>DEFERRED INFLOWS</b>		
Deferred amount on pensions	466,370	-
Total deferred inflows	466,370	-
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	54,741,932	52,536,873
Restricted for:		
Purchase of coastal property	2,314,109	2,306,896
Unrestricted	8,112,689	7,371,596
Total net position	\$65,168,730	\$62,215,365

**MONTEREY PENINSULAR REGIONAL PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

**Major Factors Affecting the Statement of Net Position**

Net position increased by \$2,953,365 over the prior year primarily from grants and property tax revenues received which were used to acquire capital assets. Under GASB 34, capital assets acquired are capitalized as an asset and are no longer considered an expense in the statement of activities.

**Capital Assets**

As of June 30, 2015, the District's capital assets totaled \$61,691,932 which is an increase of \$7,549,786 over the capital asset balance at June 30, 2014 of \$54,142,146. The change is primarily due to the acquisition of the Joyce Stevens Monterey Pine Forest Preserve. Additional information on capital assets is provided in Note 4 to the financial statements.

**Long-Term Debt**

As of June 30, 2015, the District had \$7,696,959 in outstanding long-term debt compared to \$72,899 at June 30, 2014. The increase is mainly due to the acquisition of the Joyce Stevens Monterey Pine Forest Preserve and recordation of the net pension liability to comply with GASB 68 and 71. Additional information is provided in Notes 5 and 6 to the financial statements.

Statement of Activities

A comparative summary of the District's Statement of Activities for the years ended June 30, 2015 and 2014, respectively is as follows:

	2015	2014 - restated
<b>GENERAL REVENUES</b>		
Property taxes	\$3,253,592	\$3,197,620
Other	148,159	217,350
Donations, fees and other charges	16,887	36,269
Total general revenues	3,418,638	3,451,239
<b>PROGRAM REVENUES</b>		
Assessment district	1,130,794	1,095,396
Grants	1,500,000	1,514,705
Total program revenues	2,630,794	2,610,101
<b>EXPENSES</b>		
Operations and maintenance	854,726	924,291
General and administrative	1,171,348	878,466
Education and outreach	529,092	609,113
Planning and conservation management	354,176	490,366
Assessment district	184,242	320,951
Interest	2,483	15,848
Depreciation	70,306	59,843
Total expenses	3,096,067	3,298,878
Change in net position	\$2,953,365	\$2,762,462

**MONTEREY PENINSULAR REGIONAL PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

**Major Factors Affecting the Statement of Activities**

The District collected property taxes of \$3,253,592; Assessment District revenues of \$1,130,794; capital grants of \$1,500,000; donations, fees and other charges of \$16,887; other income of \$148,159; and, expenses of \$3,096,067 that resulted in changes in net position of \$2,953,365 for the year ended June 30, 2015.

The District received grants for the purchase of land, or payment of associated debt of \$2 million and \$1.5 million in 2015 and 2014.

**FACTORS AFFECTING FUTURE PERIODS AND OTHER ISSUES**

Significant factors noted by management affecting future periods are as follows:

The District made final payments in fiscal year 2014-15 on the acquisition of the Whisler-Wilson Ranch property adjacent to Palo Corona Regional Park in the Carmel Highlands area. Funding for the Whisler-Wilson property was obtained by a \$1,000,000 grant from the State Coastal Conservancy, of which the final \$500,000 was received in fiscal year 2014-15 as well as Proposition 117 Habitat Conservation Funds. The District also acquired the 851-acre Rancho Aguajito property now known as the Joyce Stevens Monterey Pine Forest Preserve in fiscal year 2014-15. Funds for the acquisition were obtained from Proposition 117 Habitat Conservation funding. The District will make annual debt service payments on this acquisition through fiscal year 2019-20.

This District will continue with development of the general management plan for Palo Corona Regional Park and has already completed several elements of this County-required plan for Palo Corona, including plans for amphibians and wetlands, grasslands and grazing, fuels and fire, archaeological resources, protected species habitat, roads and trails, and restoration of the historic barn. Plans are currently being developed for access and use, vehicle parking and hydrology.

The Environmental Education and Community Outreach program continues to develop. The District recently completed the fall/winter 2015-16 programs catalogue. In cooperation with other local agencies and organizations, the District's aim is to offer a variety of environmental education and outdoor recreation programs to residents. It is developing temporary and permanent exhibits for display at the Garland Ranch Regional Park visitor center and other parks. The District is in the process of developing a comprehensive interpretive master plan, expected to be completed in fiscal year 2015-16. This plan will guide the development of individual park site master and management plans.

The District continues to explore opportunities for acquisition of open space, particularly as it relates to the expansion of existing parks and preserves. The District is involved with other agencies and not-for-profit organizations in the Lobos Corona Parkland Project planning effort. It also continues its discussions with the Fort Ord Reuse Authority and Monterey County on parkland planning and administration options at this site.

**MONTEREY PENINSULA REGIONAL PARK DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2015

In fiscal year 2014-15, the District awarded another \$126,587 in grants to several local agencies and organizations as part of the Parks, Open Space and Coastal Preservation grant program. This grant program is funded by the Parks, Open Space, and Coastal Preservation Assessment District, which was approved by voters in 2004. We are currently in the process of reviewing grant submissions in order to award up to another \$150,000 in grants as part of the fiscal year 2015-16 program.

The voter-approved Assessment District that funds this program is set to sunset in fiscal year 2018-19. The District is in the process of exploring the feasibility of another measure to replace the expiring Assessment District. The potential ballot measure will require a 2/3 super majority from balloted voters, rather than the simple-majority of 50% + 1 required in 2004, due to a change in State law. Initial poll results show over a 70% favorable response from likely voters. MPRPD's Board has not yet determined if this item will be placed on the ballot.

The District continues to fund other postemployment health care benefit (OPEB) liabilities for its retirees under GASB Statement 45, through the California Employer's Retiree Benefit Trust (Trust) prefunding program. Liabilities were determined by an independent actuarial consultant. The District will continue to make contributions to the trust as needed to continue pre-funding this future liability. The District is continuing to aggressively search and apply for grants and other revenue generating opportunities.

**REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the Monterey Peninsula Regional Park District's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monterey Peninsula Park District, Attn: Finance Manager, 60 Garden Court, Suite 325, Monterey, CA 93940.

## **BASIC FINANCIAL STATEMENTS**

MONTEREY PENINSULA REGIONAL PARK DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Cash and checking	\$ 1,164,600
Investments	10,360,614
Receivables:	
Other receivables	65,618
Administrative fee	214
Accrued interest	5,897
Prepaid expenses	101,639
Property acquisition deposit	240,000
Net OPEB asset	986,851
Pension asset	47,475
Capital assets, not being depreciated	60,189,892
Capital assets, net of depreciation	<u>1,502,040</u>
 TOTAL ASSETS	 <u>74,664,840</u>
DEFERRED OUTFLOWS OF REOURCES:	
Deferred amounts on pensions	<u>335,206</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>335,206</u>
LIABILITIES:	
Accounts payable	166,382
Accrued payroll	159,273
Security deposits	2,000
Compensated absences, due within one year	14,059
Notes payable, due within one year	1,326,273
Noncurrent liabilities:	
Net pension liability	1,973,232
Compensated absences, due in more than one year	100,000
Notes payable, due in more than one year	<u>5,623,727</u>
 TOTAL LIABILITIES	 <u>9,364,946</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pensions	<u>466,370</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>466,370</u>
NET POSITION:	
Net investment in capital assets	54,741,932
Restricted for purchase of coastal property	2,314,109
Unrestricted	<u>8,112,689</u>
 TOTAL NET POSITION	 <u>\$ 65,168,730</u>

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Operations and maintenance	\$ 854,726	\$ -	\$ -	\$ -	\$ (854,726)
General and administrative	1,171,348	-	-	-	(1,171,348)
Education and outreach	529,092	-	-	-	(529,092)
Assessment district	184,242	-	1,130,794	-	946,552
Planning and conservation	354,176	-	-	1,500,000	1,145,824
Interest on long-term debt	2,483	-	-	-	(2,483)
<b>Total governmental activities</b>	<b>\$ 3,096,067</b>	<b>\$ -</b>	<b>\$ 1,130,794</b>	<b>\$ 1,500,000</b>	<b>(465,273)</b>
General revenues:					
Property taxes					3,253,592
Investment earnings					45,615
Rent					31,508
Other revenues					87,923
Total general revenues					3,418,638
Change in net position					2,953,365
Net Position at Beginning of Year - Restated					62,215,365
Net Position at End of Year					\$ 65,168,730

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2015

	<u>General Fund</u>
ASSETS	
Cash and checking	\$ 1,164,600
Investments	10,360,614
Receivables:	
Other receivables	65,618
Administrative fee	214
Accrued interest	5,897
Prepaid expenses	<u>101,639</u>
 TOTAL ASSETS	 <u><u>\$ 11,698,582</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 166,382
Accrued payroll	159,273
Security deposits	<u>2,000</u>
 TOTAL LIABILITIES	 <u>327,655</u>
FUND BALANCE:	
Nonspendable:	
Prepaid expenses	101,639
Restricted:	
Purchase of coastal property	2,314,109
Assigned:	
Property acquisition	960,000
Unassigned	<u>7,995,179</u>
 TOTAL FUND BALANCE	 <u>11,370,927</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 11,698,582</u></u>

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET OF THE  
 GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

June 30, 2015

Fund balances - total governmental fund	\$ 11,370,927
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in the governmental fund activity.	61,691,932
Long-term liabilities do not consume resources to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:	
Note payable	(6,950,000)
Compensated absences	(114,059)
Net pension liability	(1,973,232)
Long-term assets are not available to pay for current-period expenditures of governmental funds and therefore are not reported as assets on the governmental funds:	
Deposit for acquisition of property	240,000
Net OPEB asset	986,851
Pension asset	47,475
Items related to pensions:	
Deferred outflows	335,206
Deferred inflows	(466,370)
Net position of governmental activities	\$ 65,168,730

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the year ended June 30, 2015

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 3,253,592
Assessment district	1,130,794
Grants	2,050,000
Investment earnings	45,615
Donations, fees and other charges	16,887
Rent	31,508
Other revenue	<u>71,036</u>
 TOTAL REVENUES	 <u>6,599,432</u>
EXPENDITURES:	
Current:	
General and administrative	1,146,076
Operations and maintenance	786,793
Education and outreach	517,122
Assessment district	409,365
Planning and conservation management	850,247
Capital outlay	6,950,000
Debt service:	
Principal	1,605,273
Interest	<u>2,483</u>
 TOTAL EXPENDITURES	 <u>12,267,359</u>
 EXCESS OF REVENUES (UNDER) EXPENDITURES	  (5,667,927)
OTHER FINANCING SOURCES:	
Proceeds from issuance of long-term debt	<u>6,950,000</u>
 NET CHANGE IN FUND BALANCE	 1,282,073
 FUND BALANCE AT BEGINNING OF YEAR	 <u>10,088,854</u>
 FUND BALANCE AT END OF YEAR	 <u><u>\$ 11,370,927</u></u>

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES

June 30, 2015

Net change in fund balance - total governmental fund \$ 1,282,073

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	7,620,122
Depreciation	(70,336)

Issuance of debt is reported as other financing sources (revenue) in the governmental fund, but, in Statement of Activities the issuance of debt is not reported as revenue. (6,950,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,605,273

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:  
Net change in assets (3,194)

Collection of unavailable revenues is reported as revenues in governmental fund and thus has the effect of increasing fund balances. For the District as a whole, however, the collection of these receipts reduces the net position in the Statement of Net Position and does not result in revenues in the Statement of Activities:  
Grant related revenue (550,000)

Deletions to pension related debt (due to differences in actual activity as compared to actuarial assumptions) are reported as expenses in the Statement of Activities but do not require the use of current financial resources and, therefore, are excluded from governmental fund expenditures. 17,110

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,275)

Governmental funds report payment for deposits for acquisition of property as expenditures, however, this payment is reported as an expense in the Statement of Activities. 60,000

Governmental funds report all contributions in relation to the Annual Required Contribution (ARC) for OPEB as expenditures, however, in the Statement of Activities only the change in the OPEB is reported as an expense. (56,408)

Change in net position of governmental activities \$ 2,953,365

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

# MONTEREY PENINSULA REGIONAL PARK DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Description of Reporting Entity:

The Monterey Peninsula Regional Park District (the District) was created in 1972 by a local voter initiative with the primary purpose of protecting and preserving open space and historical lands within Monterey County and adjacent areas. The District acquires lands through purchases, donation and joint partnership with other agencies and non-profit organizations. The District is supported primarily through revenues from property taxes, donor contributions and grants from governmental agencies.

Since 1972, the District has acquired and helped acquire over 20,000 acres of land, parks and preserves.

The financial statements of the Monterey Peninsula Regional Park District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### B. Government-wide and Fund Financial Statements:

##### **Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Government-wide and Fund Financial Statements:

**Fund Financial Statements:**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The fund financial statements provide information about the District's funds. Separate financial statements for the government's governmental funds are presented after the Government-wide Financial Statements. These statements display information about the major fund individually.

The District reports the following major governmental fund:

The General Fund is used to account for all financial activity in the District except for that which is required to be accounted for in other funds.

C. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations are reported in the government-wide financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheets. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund financial statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spending resources” during a period.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means that amounts can be estimated, or otherwise determined. 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 government considers revenues to be available if they are collected within 60 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, are recorded only when payment is due.

Rental income, charges for services and interest associated with the current fiscal period are all considered to be measurable and available and have been recognized as revenues of the current fiscal period. All other revenue items are recorded as revenue when cash is received by the District.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements:

**Current Year Standards:**

In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$2,074,031.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the District.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the District's financial reporting requirements in the future.

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Investments:

Investments are reported at the fair market value, which represents the quoted or stated market value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

F. Receivables:

Management has determined that all receivables are collectible for the year ended June 30, 2015.

G. Capital Assets:

Capital assets, which include land, buildings, improvements and machinery and equipment are reported in the Government-Wide Financial Statements. Capital assets are defined by the District as an individual cost \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the estimated useful life of the assets as follows:

Building and improvements	50 years
Tractors	10 years
Vehicles and machinery	7 years

H. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Deferred Outflows/Inflows of Resources (Continued):

The second item is a deferred outflow related to pensions for the changes in employer's proportion and differences between employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. That item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

I. Claims and Judgments:

When it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated, the District records the loss, net of any insurance coverage. In the opinion of District Counsel, the District had no material claims that require a provision to be made in these financial statements.

J. Compensated Absences:

Compensated absences (vacation, compensatory time off and sick leave) are reported as expenditures in the general fund when paid. Any remaining unpaid liability at year-end is recorded on the Statement of Net Position since such obligation is not payable with currently available financial resources, and paid by resources in the District's General Fund.

District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Accumulated vacation pay to a maximum of twice the annual accrual rate of an employee may be paid upon termination of employment. Accumulated sick pay is not paid at termination.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Property Taxes:

Property taxes are levied by Monterey County on January 1 and are payable in two installments on April 10 and December 10. Monterey County bills and collects the property taxes. Property tax revenues are recognized when levied to the extent they result in current receivables.

The County assesses properties and bills for and collects property tax as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates/(delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year end. Property taxes not received within sixty days after fiscal year end are reported as unavailable revenues.

L. Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceed) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s practice to consider restricted - net position to have been depleted before unrestricted - net position is applied (if eligible).

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Net Position:

In the Government-Wide Financial Statements, net position may be classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

N. Fund Balances:

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors is considered the highest authority for the District.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board of Directors has the authority to assign fund balance.

Unassigned - This category is for any balances that have no restrictions placed upon them.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Spending Policy:

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the District's policy is to apply in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

P. Pensions:

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

Q. Assessment District:

In 2004, voters approved a 15-year assessment on parcels within the Monterey Peninsula Regional Park District to benefit parks, open space and coastal preservation. A citizens oversight committee serves the role of ensuring that annual expenses are consistent with the voter's intent. In 2014, the assessment was \$23.28 per parcel and resulted in land acquisition and conservation, environmental education, and community grants as well as park construction and maintenance. The Neighborhood and Community Grants Program awarded six grants totaling \$100,000 that went to local municipalities and non-profit organizations benefiting outdoor recreation. This assessment has also made possible the creation and operation of Palo Corona and Garland Ranch regional parks, as well as many other parks such as the Frog Pond Wetland Preserve, Marina Dunes Preserve and Locke-Paddon Wetland Community Park.

R. Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments consist of deposits and investments, as noted below:

Deposits with financial institutions	\$ 1,164,600
Investments	<u>10,360,614</u>
Total cash and investments	<u>\$ 11,525,214</u>

The District has adopted an investment policy which authorizes it to invest in various investments.

**Investments Authorized by the California Government Code and the District's Investment Policy:**

The District's Investment Policy is reviewed and adopted by the Board of Trustees each year. Investment vehicles not specifically mentioned in the District's investment policy, are not authorized unless the policy is amended by the Board of Trustees. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Issues	5 years	None	None
United States Government Sponsored			
Agency Securities	5 years	None	50%
Banker's Acceptances	180 days	None	30%
Certificates of Deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	N/A
California Pooled Investment Authority	None	None	None
The Investment Trust of California (CalTRUST)	N/A	None	None
Money Market Mutual Fund	N/A	None	10%

N/A - Not Applicable

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to 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. One of the ways that the District 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 maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2015.

<u>Investment Type</u>	Remaining Maturity (in Months)
CalTRUST Investment Pool	\$ 10,256,281
LAIF	<u>104,333</u>
	<u>\$ 10,360,614</u>

**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. Presented in the following table are the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual Standard and Poor's credit rating as of June 30, 2015 for each investment type.

<u>Investment Type</u>	Minimum Legal Rating	Total	Not Rated	AA+
CalTRUST Investment Pool	N/A	\$10,256,281	\$ 5,938,024	\$ 4,318,257
LAIF	N/A	<u>104,333</u>	<u>104,333</u>	<u>-</u>
		<u>\$10,360,614</u>	<u>\$ 6,042,357</u>	<u>\$ 4,318,257</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Concentration of Credit Risk:**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District 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 LAIF and CalTRUST Investment Pool).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**Investment in State Investment Pool:**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorated share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Investment in CalTRUST Investment Pool:**

CalTRUST is a Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Money Market, Short-Term, Medium-Term and Long-Term. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit. 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 percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

3. OTHER LONG-TERM ASSET - OPTION TO PURCHASE:

In January 2008, the District entered into a lease for the Sherar property which consists of approximately 30 acres in Carmel Valley. The lease is for five years with an option to purchase the property for \$1.2 million. The District paid \$60,000 for an option to purchase the property, and paid annual rent of \$60,000 until June 30, 2012. Rent payments starting after the first five (5) year period and until close of escrow shall be applied to the final purchase price. The District made its 7<sup>th</sup> payment in the fiscal year ended June 30, 2015, which was applied towards the purchase option deposit. Total deposit on hand for the option to purchase at June 30, 2015 was \$240,000. This amount is reported as a property acquisition deposit in the statement of net position.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

4. CAPITAL ASSETS:

The following is a summary of capital assets for governmental activities for the year ended June 30, 2015:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 52,706,427	\$ 7,483,465	\$ -	\$ 60,189,892
Total capital assets, not being depreciated	<u>52,706,427</u>	<u>7,483,465</u>	<u>-</u>	<u>60,189,892</u>
Capital assets, being depreciated:				
Buildings	1,634,549	3,700	-	1,638,249
Equipment	<u>740,046</u>	<u>132,958</u>	<u>-</u>	<u>873,004</u>
Total capital assets, being depreciated	<u>2,374,595</u>	<u>136,658</u>	<u>-</u>	<u>2,511,253</u>
Less accumulated depreciation for:				
Buildings and improvements	(452,954)	(31,637)	-	(484,591)
Equipment	<u>(485,953)</u>	<u>(38,669)</u>	<u>-</u>	<u>(524,622)</u>
Total accumulated depreciation	<u>(938,907)</u>	<u>(70,306)</u>	<u>-</u>	<u>(1,009,213)</u>
Total capital assets, being depreciated, net	<u>1,435,688</u>	<u>66,352</u>	<u>-</u>	<u>1,502,040</u>
Capital assets, net	<u>\$ 54,142,115</u>	<u>\$ 7,549,817</u>	<u>\$ -</u>	<u>\$ 61,691,932</u>

Depreciation expense of \$70,306 was charged to functions/programs of the governmental activities as follows:

General and administrative	\$ 2,114
Operations and maintenance	59,185
Education and outreach	4,975
Planning and conservation management	<u>4,032</u>
Total depreciation expense - governmental activities	<u>\$ 70,306</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

5. LONG-TERM DEBT:

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2015:

<b>Governmental Activities:</b>	Balance at			Balance at June 30, 2015	Due Within One Year
	July 1, 2014	Additions	Deletions		
Big Sur Land Trust	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -	\$ -
Municipal Finance Corp	28,669	-	(28,669)	-	-
Municipal Finance Corp	13,117	-	(13,117)	-	-
Toyota Sienna	29,925	-	(29,925)	-	-
2014 Tundra	33,562	-	(33,562)	-	-
Pebble Beach Company Note Payable	-	6,950,000	-	6,950,000	1,326,273
Compensated absences	<u>112,784</u>	<u>77,110</u>	<u>(75,835)</u>	<u>114,059</u>	<u>14,059</u>
	<u>\$ 1,718,057</u>	<u>\$ 7,027,110</u>	<u>\$ (1,681,108)</u>	<u>\$ 7,064,059</u>	<u>\$ 1,340,332</u>

**Pebble Beach Company Note Payable:**

On January 20, 2015, the District signed a promissory note for a principal amount of \$6,950,000 with no stated interest rate. Proceeds of the loan were used to purchase real property in Monterey County, California. The note is secured by a deed of trust reflecting a first priority lien on the property. The note is payable in five equal annual installments in the amount of \$1,500,000 due on December 31 of each calendar year beginning December 31, 2015, with a final payment of the entire outstanding principal balance and any other amounts due under the note on or before December 31, 2019.

The annual requirements to amortize the Pebble Beach Company Note Payable outstanding at June 30, 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2016	\$ 1,500,000
2017	1,500,000
2018	1,500,000
2019	1,500,000
2020	<u>950,000</u>
	<u>\$ 6,950,000</u>

**Compensated Absences:**

The District employees accumulate earned but unused vacation and sick pay benefits, which can be converted to cash at termination of employment which amounted to \$114,059 at June 30, 2015.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS):

A. General Information about the Pension Plans:

**Plan Descriptions:**

All qualified permanent and probationary employees are eligible to participate in the District's 2.7% at 55 and 2.0% at 62 (PEPRA) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided:**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2.7%@55	2%@62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 67	52 - 67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8%	6.25%
Required employee contribution rates	23.83%	6.25%
Required employer contribution rates		

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

A. General Information about the Pension Plans (Continued):

**Contributions:**

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

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 1,973,232</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

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

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.07408%
Proportion - June 30, 2014	0.07984%
Change - Increase (Decrease)	0.00576%

For the year ended June 30, 2015, the District recognized pension expense of \$208,014. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 265,789	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	53,031	-
Net differences between projected and actual earnings on plan investments	-	(466,370)
Total	<u>\$ 318,820</u>	<u>\$ (466,370)</u>

\$265,789 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ (99,472)
2017	(99,472)
2018	(102,046)
2019	(112,349)
2020	
Thereafter	

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

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

**Actuarial Assumptions:**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

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

**Discount Rate (Continued):**

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

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

**Discount Rate (Continued):**

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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

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

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$ 3,102,954
Current Discount Rate	7.50%
Net Pension Liability	\$ 1,973,232
1% Increase	8.50%
Net Pension Liability	\$ 1,035,668

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

6. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)  
(CONTINUED):

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

**Pension Plans Fiduciary Net Position:**

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

C. Payable to the Pension Plans:

At June 30, 2015, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS):

A. General Information about the Pension Plan:

**Plan Description and Benefits:**

Effective July 1, 2006, pursuant to sections 401(a), 415(m) and 501(a) of the Internal Revenue Code, the District adopted a tax-qualified single-employer governmental defined benefit plan and qualified governmental excess benefit program that is to be administered for the District by Public Agency Retirement Service (PARS), a third-party administrator. The plan was established to provide eligible employees employed on or after January 1, 2006 supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees Retirement System (CalPERS). Eligible employees are those who have accumulated prior CalPERS service credit from previous employers before employment with the District. For those employees whose combined CalPERS and PARS benefit exceed the Section 415(b) limitations for defined benefit plans, PARS benefits shall be paid through the Section 415(m) excess benefit plan established by the District instead of the 401(a) plan. This benefit has been discontinued for employees hired after May 15, 2012.

The supplemental benefit for covered employees is equal to the difference between the CalPERS "2.7% at 55" formula and the CalPERS "2% at 55" formula for years of CalPERS service with other CalPERS covered agencies, up to a maximum of 10 years. Employees will be eligible for the benefit upon attaining age 55 and concurrently retiring under CalPERS with either (a) at least five years of District service and 20 or more years of prior CalPERS services, or (b) at least seven years of District service.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

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

**Contributions:**

The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the actuarially determined rate. For the year ended June 30, 2015, the District's average contribution rate was 5.01% of annual payroll.

**Employees Covered:**

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	6
Total	<u><u>8</u></u>

B. Net Pension Liability:

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of January 31, 2014. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

B. Net Pension Liability (Continued):

**Actuarial Assumptions:**

The total pension liabilities in the January 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	January 31, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method:	
Level percent or level dollar	Level Dollar
Closed, Open, or layered periods	Closed
Amortization period at January 31, 2014	11.9 years
Amortization growth rate	0.00%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Cost of Living Adjustments	2.00%
Withdrawal/Disability	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Retirement	Participants are assumed to retire at age 59, or current age, if older.
Maximum Benefits and Salary	Final compensation is subject to IRC 401(1)(17) limitations. Limit is assumed to index with rate of inflation.
Form of Payment	Single Life Annuity

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

B. Net Pension Liability (Continued):

**Discount Rate:**

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 and 68 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the District:

- The District has at least a 5-year history of paying at least 100% of the Actuarially Determined Contribution (previously termed the Annual Required Contribution).
- The Actuarially Determined Contribution is based on a closed amortization period, which means that payment of the Actuarially Determined Contribution each year will bring the plan to a 100% funded position by the end of the amortization period.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the actuary's opinion that the detailed depletion date projections outlined in GASB 67 and 68 will show that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

B. Net Pension Liability (Continued):

**Discount Rate (Continued):**

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2015.

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

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Cash	Bank of America Merrill Lynch 90-Day T-Bills	2.97%	0.54%	0.53%
Core Fixed Income	Barclays Aggregate	39.28%	2.14%	2.01%
Broad US Equities	Russell 3000	41.83%	5.62%	4.23%
Developed Foreign Equities	MSCI EAFE	12.32%	6.20%	4.48%
Emerging Market Equities	MSCI Emerging Markets	3.61%	8.43%	4.98%
Assumed Inflation - Mean			2.43%	2.43%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			4.27%	3.83%
Portfolio Nominal Mean Return			6.72%	6.26%
Portfolio Standard Deviation				10.10%
Long-Term Expected Rate of Return				7.00%

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

C. Changes in the Net Pension Liability:

The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2014</b>	<u>\$ 500,791</u>	<u>\$ 553,054</u>	<u>\$ (52,263)</u>
<b>Changes in the Year:</b>			
Service cost	4,360	-	4,360
Interest on the total pension liability	34,341	-	34,341
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	19,000	(19,000)
Contribution - employee (paid by employer)	-	-	-
Contribution - employee	-	-	-
Net investment income	-	17,767	(17,767)
Administrative expenses	-	(2,854)	2,854
Benefit payments, including refunds of employee contributions	(29,640)	(29,640)	-
<b>Net Changes</b>	<u>9,061</u>	<u>4,273</u>	<u>4,788</u>
<b>Balance at June 30, 2015</b>	<u>\$ 509,852</u>	<u>\$ 557,327</u>	<u>\$ (47,475)</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

C. Changes in the Net Pension Liability (Continued):

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:**

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

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 8,781
Current Discount Rate	7.50%
Net Pension Liability (Asset)	\$ (47,475)
1% Increase	8.50%
Net Pension Liability (Asset)	\$ (95,232)

**Pension Plan Fiduciary Net Position:**

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

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2015, the District recognized pension expense of \$7,402. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ -	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Net differences between projected and actual earnings on plan investments	16,386	-
Total	<u>\$ 16,386</u>	<u>\$ -</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

7. PENSION PLAN - PUBLIC AGENCY RETIREMENT SYSTEM (PARS) (CONTINUED):

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
(Continued):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 4,096
2017	4,096
2018	4,096
2019	4,098
2020	
Thereafter	

E. Payable to the Pension Plan:

At June 30, 2015, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

8. DEFERRED COMPENSATION PLAN:

The District offers a deferred compensation plan for its eligible employees wherein amounts earned by the employee are paid at a future date. All full-time, regular, salaried employees are permitted to participate in the Plan beginning on the first day of the month following their hire date. The employee may elect to make contributions up to the limits established by the Internal Revenue Service for this type of plan. The employees become 100% vested in their own contributions from the first date of participation.

The Plan was originally established in conformity with Section 457 of the Internal Revenue Code which prevented governments from placing plan assets in trust for the benefit of participants. Consequently, the participating employees' assets were potentially at risk of loss by the claims of the District's general creditors. In 1996, Congress amended Section 457 by requiring governments to place plan assets in a trust for the exclusive benefit of participants and their beneficiaries thus protecting the Plan assets from the District's general creditors.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

8. DEFERRED COMPENSATION PLAN (CONTINUED):

Through its attorney, the District has complied with the amended Section 457 requirements. Governmental Accounting Standards Board Statement (GASB) No. 32 states that if a fiduciary relationship no longer exists between the governmental entity and the Section 457 deferred compensation plan, the government entity should not report the assets of the plan in its financial statements.

The District believes that, since it does not provide investment advice or administer the Plan, it does not maintain a fiduciary relationship with the Plan. Therefore, the District does not report the Plan assets in its financial statements.

9. OTHER POST EMPLOYMENT BENEFITS:

The District has implemented Governmental Accounting Standards Board (GASB) Statement 45 which addresses the reporting and disclosure requirements for other post-employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

**Plan Description:**

The District provides employment and postemployment healthcare benefits for its retirees, spouses, and survivors. The District is obligated to contribute toward health insurance premiums for certain employees retired from the District at the age of 55 or older with at least five years of continuous employment with the District. The District pays a maximum contribution of \$1,281 for health insurance premiums for all eligible employees and retirees. For non-Medicare eligible retirees, premiums are the same as for active employees. Reduced premiums are applied for Medicare eligible retirees and the coverage is adjusted to supplement Medicare.

The District contracts with an actuarial consultant to provide an actuarial valuation of the District's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed in August 2013 with a valuation date of July 1, 2013 based on GASB 45 entry age normal method.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED):

**Funding Policy:**

GASB Statement 45 does not mandate the prefunding of post-employment benefits liabilities. The District currently funds these benefits on both a pay-as-you-go basis for retirees and has also set aside segregated and restricted funds in the California Employees Retirement Benefit Trust (CERBT) at June 30, 2015.

On July 2, 2012, the District elected to pre-fund the Annual Required Contribution (ARC) for June 30, 2012, in the amount of \$287,000, and to fund the remaining unfunded liability in full in the amount of \$1,431,000. As of June 30, 2015, the District has 7 retirees receiving benefits and 14 active employees eligible to receive benefits in the future.

**Annual OPEB Cost and Net OPEB Asset:**

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

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

Annual required contribution	\$ 68,900
Interest on net OPEB asset	(75,636)
Adjustment to annual required contribution	<u>63,144</u>
Annual OPEB cost (expense)	56,408
Actual contributions made	<u>-</u>
Decrease in net OPEB asset	56,408
Net OPEB asset - beginning of year	<u>(1,043,259)</u>
Net OPEB asset - end of year	<u>\$ (986,851)</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED):

**Annual OPEB Cost and Net OPEB Asset (Continued):**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the years ended June 30, 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Asset
6/30/13	\$ 166,868	1,085.21%	\$ (959,191)
6/30/14	55,570	251.28%	(1,043,259)
6/30/15	56,408	0.00%	(986,851)

**Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level % of Payroll
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Benefit Duration	Lifetime
Assumed Retirement Age	60
Investment Return:	
Discount Rate	7.25%
Ultimate Trend Rate	4%
Projected Salary Increase (Age-adjustment factor)	2.75%
Healthcare Trend Rate	4%

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

9. OTHER POST EMPLOYMENT BENEFITS (CONTINUED):

**Funded Status and Funding Progress:**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 97.34 % funded. The actuarial accrued liability for benefits was \$1,808,181, and the actuarial value of assets was \$1,760,145, resulting in an unfunded actuarial accrued liability (UAAL) of \$48,036. Assets were valued using a fifteen year smoothing formula with a 20% corridor around market value. The covered payroll (annual payroll of active employees covered by the plan) was \$1,245,249 and the ratio of the UAAL to the covered payroll was 3.86%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10. RISK MANAGEMENT:

**Description of Self-Insurance Pool Pursuant to Joint Powers Agreement:**

The Monterey Peninsula Regional Park District is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq.

The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors which operates through a nine-member Executive Committee.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

10. RISK MANAGEMENT (CONTINUED):

**Self-Insurance Programs of the Authority:**

Each member pays an annual contribution to cover estimated losses for the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

*Liability* - In the liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15, the Insurance Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Insurance Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claim for subsidence losses have a sub-limit of \$30 million per occurrence.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

10. RISK MANAGEMENT (CONTINUED):

**Self-Insurance Programs of the Authority (Continued):**

Workers' Compensation - The District also participates in the workers' compensation pool administered by the Insurance Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Insurance Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**Purchased Insurance:**

Crime Insurance - The District purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Property Insurance - The District participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The District's property is currently insured according to a schedule of covered property submitted by the District to the Insurance Authority. The District's property currently has all-risk property insurance protection in the amount of \$3,729,345. There is a \$5,000 deductible per occurrence for emergency vehicles, vehicles on the premises and boats, and a \$1,000 deductible for equipment. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

**Adequacy of Protection:**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were no significant reductions in pooled or insured liability coverage in the fiscal year 2014-15.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

11. SEAWALL MITIGATION FEE:

The District was notified on September 22, 2009 by California Coastal Commission that the District is assigned as a beneficiary of Irrevocable Standby Letter of Credit No. LCCA 20-14882, dated March 19, 2007. Five annual drafts, each in the amount of \$430,011 were received, and the District received its final payment in the fiscal year ended June 30, 2011.

California Coastal Commission assigned the Letter of Credit to the District on September 22, 2009, with the condition of purchase of beachfront/dune property for public recreational use in the southern Monterey Bay area. The entire fee and any accrued interest shall be used for the above stated purpose, in consultation with the Executive Director of California Coastal Commission, within ten years of the fee being deposited into the District account.

Any portion of the fee that remains after ten years shall be donated to one or more of the State Parks located along southern Monterey Bay (Fort Ord State Park, Marina State Beach, Seaside State Beach), or other organization acceptable to the Executive Director of California Coastal Commission, for the purpose of providing public access and recreation improvements to and along the shoreline, including improvements to the California Coastal Trail.

12. FUND BALANCE ASSIGNMENTS/RESTRICTIONS:

As of June 30, 2015, the District had restricted fund balances/net position of \$2,314,109, which pertains to the Seawall Mitigation fees.

During the year ended June 30, 2015, the Directors of the District approved an assignment of fund balance for the purpose of funding the acquisition of the Sherar property. The amount assigned for this purpose at June 30, 2015 was \$960,000.

13. BOARD DESIGNATION OF (UNASSIGNED) GENERAL FUND BALANCE:

As of June 30, 2015, the District had unassigned fund balance reserves of \$7,995,179. The District's Board approved policy to establish prudent target reserve levels to assist the District in managing financial risks. The Board designated (unassigned) fund balance reserves are as follows:

Operating budget (50%)	\$ 2,931,937
Accumulated depreciation (100%)	1,009,213
Emergency contingency	<u>1,000,000</u>
Total Board Designated Reserve	<u>\$ 4,941,150</u>

MONTEREY PENINSULA REGIONAL PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2015

14 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

The government-wide financial statements were restated as of July 1, 2014 as follows:

Net position as of July 1, 2014, as originally reported \$ 64,342,211

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the District's defined benefit pension plans in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in a reduction of net position. (2,074,031)

Payment for claims related to prior years was incorrectly included as a deposit. The net position was reduced to remove this deposit. (52,815)

Total Restatement of Net Position as of July 1, 2014 \$ 62,215,368

15. SUBSEQUENT EVENTS:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 11, 2016, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CalPERS PENSION PLANS

Last Ten Fiscal Years\*

	<u>2015</u>
Plan's proportion of the net pension liability	0.03171%
Plan's proportionate share of the net pension liability	\$ 1,973,232
Plan's covered - employee payroll	\$ 1,018,700
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	193.70%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.83%
Plan's proportionate share of aggregate employer contributions	\$ 176,921

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF CONTRIBUTIONS  
CalPERS PENSION PLANS

Last Ten Fiscal Years\*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 265,789
Contributions in relation to the actuarially determined contributions	<u>(265,789)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 1,213,014
Contributions as a percentage of covered - employee payroll	21.91%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years as of the valuation date
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, services and type of employment
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	2.7% at 55 retirement age 50-67, 2% at 62 retirement age 52-67
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
PARS PENSION PLAN

Last Ten Fiscal Years\*

	<u>2015</u>
Total Pension Liability:	
Service cost	\$ 4,360
Interest on total pension liability	34,341
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(29,640)</u>
Net Change in Total Pension Liability	9,061
Total Pension Liability - Beginning of Year	<u>500,791</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 509,852</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 19,000
Contributions - employee	-
Net investment income	14,913
Benefit payments	<u>(29,640)</u>
Net Change in Plan Fiduciary Net Position	4,273
Plan Fiduciary Net Position - Beginning of Year	<u>553,054</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 557,327</u></u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u><u>\$ (47,475)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	109.31%
Covered - employee payroll	\$ 379,340
Net pension (asset ) liability as a percentage of covered- employee payroll	-12.52%

Notes to Schedule:

Benefit Changes:

There were not changes in benefits.

Changes in Assumptions:

There were not changes in assumptions

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF CONTRIBUTIONS  
PARS PENSION PLAN

Last Ten Fiscal Years\*

	<u>2015</u>
Actuarially determined contribution	\$ 19,000
Contributions in relation to the actuarially determined contributions	<u>19,000</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 379,340
Contributions as a percentage of covered - employee payroll	5.01%

Notes to Schedule:

Valuation Date 01/31/2014

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11.9 years at January 31, 2014
Asset valuation method	None
Inflation	2.50%
Salary increases	3.00%
Cost of living adjustment	2.00%
Investment rate of return	7%
Retirement age	Age 59 or current age if older
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFIT PLAN

For the year ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/c]
06/30/2010	\$ -	\$ 1,717,950	\$ 1,717,950	0.00%	\$ 1,271,883	135.07%
06/30/2011	1,694,590	1,778,624	84,034	95.28%	1,073,740	7.83%
07/01/2013	1,760,145	1,808,181	48,036	97.34%	1,245,249	3.86%

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT - GENERAL FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 3,150,000	\$ 3,213,000	\$ 3,253,592	\$ 40,592
Assessment district	1,124,411	1,180,632	1,130,794	(49,838)
Grants	2,050,000	2,050,000	2,050,000	-
Investment earnings	75,000	35,000	45,615	10,615
Donations, fees and other charges	28,000	20,000	16,887	(3,113)
Rent	38,000	33,000	31,508	(1,492)
Other revenue	7,000	126,700	71,036	(55,664)
<b>TOTAL REVENUES</b>	<b>6,472,411</b>	<b>6,658,332</b>	<b>6,599,432</b>	<b>(58,900)</b>
<b>EXPENDITURES:</b>				
Current:				
General and Administrative:				
Salaries and wages	356,900	356,900	357,186	(286)
Employee benefits and payroll taxes	216,760	214,652	148,364	66,288
Insurance	163,900	330,021	290,098	39,923
Professional services	100,000	195,000	187,627	7,373
Office lease	61,300	61,300	62,083	(783)
Utilities	18,000	18,000	18,352	(352)
Publications and memberships	9,000	10,500	10,595	(95)
Computer maintenance and supplies	8,200	8,200	7,479	721
Board compensation	7,000	7,000	6,700	300
Travel, conferences and meetings	-	4,000	2,213	1,787
Equipment rentals and leases	5,500	6,000	7,056	(1,056)
Office supplies and equipment	5,000	6,500	6,003	497
Legal	4,500	4,500	4,156	344
Job training and education	3,500	4,000	4,614	(614)
Taxes and assessments	2,000	2,000	(1,278)	3,278
Postage	1,400	1,400	1,387	13
Vehicle maintenance and fuel	1,000	1,000	573	427
Miscellaneous	300	300	270	30
Printing	1,000	500	3	497
Elections	210,200	90,000	32,595	57,405
Total General and Administrative	1,175,460	1,321,773	1,146,076	175,697

See accompanying note to required supplementary information.

(Continued)

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT - GENERAL FUND  
(CONTINUED)

For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
Current (Continued):				
Operations and Maintenance:				
Salaries and wages	\$ 503,900	\$ 434,500	\$ 406,285	\$ 28,215
Employee benefits	360,200	259,111	240,840	18,271
Utilities	40,000	40,000	40,221	(221)
Vehicle maintenance and fuel	16,000	16,000	13,262	2,738
Supplies	12,000	12,000	12,256	(256)
Building repairs	10,000	35,000	27,725	7,275
Computer maintenance and supplies	10,000	10,000	8,113	1,887
Capital outlay	10,500	10,500	9,012	1,488
Janitorial supplies	9,500	9,500	7,083	2,417
Equipment maintenance	10,000	10,000	6,032	3,968
Tools	1,000	1,000	1,289	(289)
Uniforms	3,500	4,250	3,200	1,050
Miscellaneous	5,150	4,750	2,848	1,902
Job training and education	2,600	6,500	5,162	1,338
Trail maintenance	-	10,000	131	9,869
Printing	-	1,500	3,334	(1,834)
Total Operations and Maintenance	<u>994,350</u>	<u>864,611</u>	<u>786,793</u>	<u>77,818</u>
Education and Outreach:				
Salaries and wages	314,800	298,000	303,224	(5,224)
Employee benefits	166,700	125,590	133,766	(8,176)
Printing	22,000	16,000	15,183	817
Postage	15,000	21,500	20,795	705
Professional services	10,000	12,000	11,178	822
Equipment	3,500	2,000	890	1,110
Environmental education - schools	5,000	5,000	4,725	275
Interpretive programs - parks	5,000	3,000	2,029	971
Computer maintenance and supplies	5,500	5,500	4,678	822
Docent and volunteer programs	5,500	5,500	3,962	1,538
Utilities	8,800	8,800	5,251	3,549
Advertising	4,000	4,000	2,705	1,295
Miscellaneous	1,000	1,000	630	370
Equipment rental and leases	-	1,000	990	10
Supplies	1,200	1,200	1,608	(408)
Job training and education	1,500	912	912	-
Vehicle maintenance and fuel	1,500	2,000	2,315	(315)
Special events - outreach	1,000	1,000	794	206
Travel, conferences and meetings	-	1,500	355	1,145
Insurance	1,000	1,600	1,132	468
Total Education and Outreach	<u>573,000</u>	<u>517,102</u>	<u>517,122</u>	<u>(20)</u>

See accompanying note to required supplementary information.

(Continued)

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT - GENERAL FUND  
(CONTINUED)

For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED):				
Current (Continued):				
Assessment District:				
Community and neighborhood parks	\$ 150,000	\$ 135,000	\$ 109,491	\$ 25,509
Palo Corona improvements	326,000	126,000	39,858	86,142
Sherar property lease/option payment	60,000	60,000	60,000	-
Seasonal and contract services	30,000	25,000	10,216	14,784
Professional services	25,000	25,000	22,487	2,513
Equipment maintenance	70,000	60,000	40,588	19,412
Vehicle acquisition	200,000	200,000	102,176	97,824
Garland Park improvements	218,000	68,000	11,725	56,275
Trail construction and rehabilitation	20,000	20,000	3,619	16,381
Park security systems	20,000	20,000	9,205	10,795
Total Assessment District	<u>1,119,000</u>	<u>739,000</u>	<u>409,365</u>	<u>329,635</u>
Planning and Conservation Management:				
Salaries and wages	177,300	186,300	182,948	3,352
Employee benefits	90,300	75,480	74,677	803
Professional services	65,000	35,000	23,216	11,784
Resource management - Marina Dunes	154,000	25,000	48,719	(23,719)
Vehicle maintenance and fuel	4,000	4,000	3,798	202
Miscellaneous	2,004,000	2,004,000	515,235	1,488,765
Computer maintenance and supplies	2,000	2,000	1,654	346
Total Planning and Conservation Management	<u>2,496,600</u>	<u>2,331,780</u>	<u>850,247</u>	<u>1,481,533</u>
Capital Outlay:				
Land and property acquisition	-	-	6,950,000	(6,950,000)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>6,950,000</u>	<u>(6,950,000)</u>
Debt Service:				
Principal	-	-	1,605,273	(1,605,273)
Interest	-	-	2,483	(2,483)
Total Debt Service	<u>-</u>	<u>-</u>	<u>1,607,756</u>	<u>(1,607,756)</u>
TOTAL EXPENDITURES	<u>6,358,410</u>	<u>5,774,266</u>	<u>12,267,359</u>	<u>(6,493,093)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,001	884,066	(5,667,927)	(6,551,993)
OTHER FINANCING SOURCES				
Proceeds from issuance of long-term debt	-	-	6,950,000	6,950,000
NET CHANGE IN FUND BALANCE	114,001	884,066	1,282,073	398,007
FUND BALANCE AT BEGINNING OF YEAR	<u>10,088,854</u>	<u>10,088,854</u>	<u>10,088,854</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,202,855</u>	<u>\$ 10,972,920</u>	<u>\$ 11,370,927</u>	<u>\$ 398,007</u>

See accompanying note to required supplementary information.

MONTEREY PENINSULA REGIONAL PARK DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

**1. BUDGETS:**

The Board of Directors of the District legally adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget may be amended by the Board of Directors throughout the year. The budget is prepared on the modified accrual basis of accounting.

Budget amounts reflect the original budget adopted by the Board of Directors, and the final budget after all applicable amendments. The Board approves all budget amendments. The budget appropriations lapse at year-end.

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

Board of Directors  
Monterey Peninsula Regional Park District  
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Monterey Peninsula Regional Park District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2016.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 noted certain other matters that we have reported to management and the Board of Directors in a separate letter dated January 11, 2016.

## **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.

*White Nelson Dick Evans LLP*

Irvine, California  
January 11, 2016