MONTEREY PENINSULA REGIONAL PARK DISTRICT

BASIC FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FISCAL YEAR ENDED JUNE 30, 2016

MONTEREY PENINSULA REGIONAL PARK DISTRICT

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June 30, 2016

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BOARD OF DIRECTORS

June 30, 2016

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

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

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Offices located in Orange and San Diego Counties

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, 2016, 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.

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 statement by department - general fund, 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, 2017, 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 Diehl Evans LLP

Irvine, California
January 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fiscal year 2015-16 which ended June 30, 2016. 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 $3,627,806 for the year ended June 30, 2016. 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 $68,796,536 as of June 30, 2016, and $65,168,730 for fiscal year 2014-15 which ended June 30, 2015.

- The District's total general revenues were $3,766,904 and expenses were $3,092,993 for the fiscal year 2015-16 which ended June 30, 2016.

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.

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, 2016 and 2015, respectively is as follows:

	2016	2015
ASSETS		
Cash	$ 235,156	$ 1,164,600
Investments	12,857,216	10,360,614
Grants receivable	-	-
Other receivables	117,075	71,729
Prepaid expenses	83,148	101,639
Property acquisition deposit	300,000	240,000
Net OPEB asset	944,285	986,851
Pension asset	-	47,475
Capital assets	61,988,897	61,691,932
Total assets	76,525,777	74,664,840
DEFERRED OUTFLOWS		
Deferred amounts on pensions	678,320	335,206
Total deferred outflows	678,320	335,206
LIABILITIES		
Current	234,460	327,655
Current portion of long-term debt	1,581,449	1,340,332
Long-term liabilities	3,983,591	5,723,727
Pension liability	2,366,255	1,973,232
Total liabilities	8,165,755	9,364,946
DEFERRED INFLOWS		
Deferred amounts on pensions	241,806	466,370
Total deferred inflows	241,806	466,370
NET POSITION		
Invested in capital assets, net of related debt	56,538,897	54,741,932
Restricted for:		
Purchase of coastal property	2,329,847	2,314,109
Unrestricted	9,927,792	8,112,689
Total net position	$68,796,536	$65,168,730

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Net position increased by $3,627,806 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, 2016, the District's capital assets totaled $61,988,897 which is an increase of $296,965 over the capital asset balance at June 30, 2015 of $61,691,932. The change is primarily due to the construction of the Palo Corona Regional Park parking lot. Additional information is provided in Note 4 to the basic financial statements.

LONG-TERM DEBT

As of June 30, 2016, the District had $6,349,846 in outstanding long-term debt compared to $7,696,959 at June 30, 2015. The decrease is mainly due to the pay down of the note payable on 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 basic financial statements.

Statement of Activities

A comparative summary of the District's Statement of Activities for the years ended June 30, 2016 and 2015 respectively is as follows:

	2016	2015
GENERAL REVENUES		
Property taxes	$3,548,890	$3,253,592
Other	207,512	148,159
Donations, fees and other charges	10,502	16,887
Total general revenues	3,766,904	3,418,638
PROGRAM REVENUES		
Assessment district	1,164,640	1,130,794
Grants	1,789,255	1,500,000
Total program revenues	2,953,895	2,630,794
EXPENSES		
Operations and maintenance	872,825	854,726
General and administrative	1,177,633	1,171,348
Education and outreach	410,626	529,092
Planning and conservation management	421,434	354,176
Assessment district	210,475	184,242
Interest	-	2,483
Total expenses	3,092,993	3,096,067
Change in net position	$3,627,806	$2,953,365

MAJOR FACTORS AFFECTING THE STATEMENT OF ACTIVITIES

The District collected property taxes of $3,548,890; Assessment District revenues of $1,164,640; capital grants of $1,789,255; donations, fees and other charges of $10,502; other income of $207,512; and, expenses of $3,092,993 that resulted in changes in net position of $3,627,806 for the year ended June 30, 2016.

The District received grants for the purchase of land, or payment of associated debt of $1.5 million in 2016 and 2015. The District also received a pass through grant from the BSLT for the construction of the Palo Corona Regional Park parking lot.

FACTORS AFFECTING FUTURE PERIODS AND OTHER ISSUES

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

The District 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 of $1.5 million on this acquisition through fiscal year 2019-20.

This District will continue with development of the general management plan for Palo Corona Regional Park (PCRP) 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. In addition, the Trust for Public Land recently acquired the Rancho Canada Golf Course, adjacent to the PCRP. It is anticipated that this land will be transferred to the MPRPD as early as July 2017. This property has now been incorporated into the planning process for PCRP. Several stakeholder meetings have been held. The first of several community public engagement meetings was held October 25, 2016.

The Environmental Education and Community Outreach program continues to develop. The District recently completed the fall/winter 2016-17 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. 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 and Jacks Peak County Park.

In fiscal year 2015-16, the District awarded another $153,330 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 $155,000 in grants as part of the fiscal year 2016-17 program.

The voter-approved Assessment District that funds this program is set to sunset in fiscal year 2018-19. The District placed a measure on the November 2016 Presidential General Election ballot, to replace the expiring Assessment District funds with funds at the same rate from a Community Facilities District. The ballot measure required a 2/3 super majority from balloted voters, rather than the simple-majority of 50% + 1 required in 2004. According to the Monterey County Election Results website page, the measure passed 71.33%. This measure will go into effect at the expiration of the current Assessment District in fiscal year 2018-19.

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 Regional 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, 2016

	Governmental Activities
ASSETS:	
Cash and checking	$ 235,156
Investments	12,857,216
Receivables:	
Other receivables	106,642
Administrative fee	566
Accrued interest	9,867
Prepaid expenses	83,148
Property acquisition deposit	300,000
Net OPEB asset	944,285
Capital assets, not being depreciated	60,530,801
Capital assets, net of depreciation	1,458,096
TOTAL ASSETS	76,525,777
DEFERRED OUTFLOWS OF RECOURCES:	
Deferred amounts on pensions	678,320
TOTAL DEFERRED OUTFLOWS OF RESOURCES	678,320
LIABILITIES:	
Accounts payable	72,991
Accrued payroll	158,769
Security deposits	2,700
Compensated absences, due within one year	81,449
Notes payable, due within one year	1,500,000
Noncurrent liabilities:	
Net pension liability	2,366,255
Compensated absences, due in more than one year	33,591
Notes payable, due in more than one year	3,950,000
TOTAL LIABILITIES	8,165,755
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on pensions	241,806
TOTAL DEFERRED INFLOWS OF RESOURCES	241,806
NET POSITION:	
Net investment in capital assets	56,538,897
Restricted for purchase of coastal property	2,329,847
Unrestricted	9,927,792
TOTAL NET POSITION	$ 68,796,536

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Operations and maintenance	$ 872,825	$ -	$ -	$ -	$ (872,825)
General and administrative	1,177,633	-	-	-	(1,177,633)
Education and outreach	410,626	-	-	-	(410,626)
Assessment district	210,475	-	1,164,640	-	954,165
Planning and conservation	421,434	-	-	1,789,255	1,367,821
Total governmental activities	$ 3,092,993	$ -	$ 1,164,640	$ 1,789,255	(139,098)

General revenues:	
Property taxes	3,548,890
Investment earnings	153,757
Rent	33,013
Other revenues	31,244
Total general revenues	3,766,904
Change in net position	3,627,806
Net Position at Beginning of Year	65,168,730
Net Position at End of Year	$ 68,796,536

See accompanying notes to basic financial statements.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2016

	General Fund
ASSETS	
Cash and checking	235,156
Investments	12,857,216
Receivables:	
Other receivables	76,667
Administrative fee	566
Grants	29,975
Accrued interest	9,867
Prepaid expenses	83,148
TOTAL ASSETS	$ 13,292,595
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	$ 72,991
Accrued payroll	158,769
Security deposits	2,700
TOTAL LIABILITIES	234,460
FUND BALANCE:	
Nonspendable:	
Prepaid expenses	83,148
Restricted:	
Purchase of coastal property	2,329,847
Assigned:	
Property acquisition	900,000
Unassigned	9,745,140
TOTAL FUND BALANCE	13,058,135
TOTAL LIABILITIES AND FUND BALANCE	$ 13,292,595

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, 2016

Fund balances - total governmental fund	$ 13,058,135
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.	61,988,897
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	(5,450,000)
Compensated absences	(115,040)
Net pension laibility	(2,366,255)
Long-term assets are not availalbe to pay for current-period expenditures of governmental funds and therefore are not reported as assets on the governmental funds:	
Deposit for acquistion of property	300,000
Net OPEB asset	944,285
Items related to pensions:	
Deferred outflows	678,320
Deferred inflows	(241,806)
Net position of governmental activities	$ 68,796,536

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, 2016

	General Fund
REVENUES:	
Property taxes	$ 3,548,890
Assessment district	1,164,640
Grants	1,789,255
Investment earnings	153,757
Donations, fees and other charges	10,502
Rent	33,013
Other revenue	20,742
TOTAL REVENUES	6,720,799
EXPENDITURES:	
Current:	
General and administrative	1,193,396
Operations and maintenance	851,986
Education and outreach	424,904
Assessment district	636,526
Planning and conservation management	426,779
Debt service:	
Principal	1,500,000
TOTAL EXPENDITURES	5,033,591
EXCESS OF REVENUES OVER EXPENDITURES	1,687,208
FUND BALANCE AT BEGINNING OF YEAR	11,370,927
FUND BALANCE AT END OF YEAR	$ 13,058,135

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, 2016

Net change in fund balance - total governmental fund	$ 1,687,208
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	372,951
Depreciation	(75,986)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,500,000
Changes to pension related debt (due to differences in actual activity as compared to actuarial assumptions) are reported as changes in expenses in the Statement of Activities but do not require the use of current financial resources and, therefore, are excluded from governmental fund expenditures.	127,180
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.	(981)
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.	(42,566)
Change in net position of governmental activities	$ 3,627,806

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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 form 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 District have been prepared in accordance 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.

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 District'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.

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 District 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.

D. New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2015-2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *"Fair Value Measurement and Application"*. GASB Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of GASB Statement No. 72.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Current Year Standards (Continued):

GASB Statement No. 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"*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, was required to be implemented in the current fiscal year, and did not impact the District.

GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73"*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

Pending Accounting Standards:

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

- 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"*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, 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 77 - *"Tax Abatement Disclosure"*, effective for periods beginning after December 15, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

- GASB 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015.
- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements"*, effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues"*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

E. Investments:

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 2016.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Capital Assets (Continued):

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 the following items that qualify for reporting in this category:

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.

- Deferred outflow related to pensions for differences between expected and actual experience. 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, which is 3.8 years for the CalPERS plan and the average remaining service life for active and inactive members of the PARS plan.

- 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, which is 3.8 years.

- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over the average remaining service life for active and inactive members of the PARS plan.

- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 the following items that qualify for reporting in this category:

- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are 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.

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:

	Secured	Unsecured
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.

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).

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 and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

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.

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 citizen's oversight committee serves the role of ensuring that annual expenses are consistent with the voter's intent. In 2016, the assessment was $24.52 per Single Family Equivalent (SFE) in Zone A and $12.26 per SFE in Zone B 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 $153,330 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.

2. CASH AND INVESTMENTS:

Cash and Investments:

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

Deposits with financial institutions	$ 235,156
Investments	12,857,216
Total cash and investments	$ 13,092,372

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 Directors 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 Directors. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

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, 2016.

	Remaining Maturity (in Months)
Investment Type	Less Than 12 Months
CalTRUST Investment Pool	$ 12,752,508
LAIF	104,708
	$ 12,857,216

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, 2016 for each investment type.

Investment Type	Minimum Legal Rating	Total	Not Rated	AA+
CalTRUST Investment Pool	N/A	$12,752,508	$ 9,106,355	$ 3,646,153
LAIF	N/A	104,708	104,708	-
		$12,857,216	$ 9,211,063	$ 3,646,153

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, 2016, all of the District's deposits with financial institutions were either 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 prorate 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.

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.

Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments are in LAIF and CalTRUST, which are not subject to the fair value hierarchy.

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 8^{th} payment in the fiscal year ended June 30, 2016, which was applied towards the purchase option deposit. Total deposit on hand for the option to purchase at June 30, 2016 was $300,000. This amount is reported as a property acquisition deposit in the statement of net position.

4. CAPITAL ASSETS:

The following is a summary of capital assets for governmental activities for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land and improvements	$ 60,189,892	$ 340,909	$ -	$ 60,530,801
Total capital assets, not being depreciated	60,189,892	340,909	-	60,530,801
Capital assets, being depreciated:				
Buildings	1,638,249	6,900	-	1,645,149
Equipment	873,004	25,142	(18,257)	879,889
Total capital assets, being depreciated	2,511,253	32,042	(18,257)	2,525,038
Less accumulated depreciation for:				
Buildings and improvements	(484,591)	(32,684)	-	(517,275)
Equipment	(524,622)	(43,302)	18,257	(549,667)
Total accumulated depreciation	(1,009,213)	(75,986)	18,257	(1,066,942)
Total capital assets, being depreciated, net	1,502,040	(43,944)	-	1,458,096
Capital assets, net	$ 61,691,932	$ 296,965	$ -	$ 61,988,897

Depreciation expense of $75,986 was charged to functions/programs of the governmental activities as follows:

General and administrative	$ 116
Operations and maintenance	63,507
Education and outreach	7,214
Planning and conservation management	5,149
Total depreciation expense - governmental activities	$ 75,986

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, 2016:

Governmental Activities:	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year
Pebble Beach Company Note Payable	$ 6,950,000	$ -	$ (1,500,000)	$ 5,450,000	$ 1,500,000
Compensated absences	114,059	77,110	(76,129)	115,040	81,449
	$ 7,064,059	$ 77,110	$ (1,576,129)	$ 5,565,040	$ 1,581,449

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, 2016 are as follows:

Fiscal Year Ending	Principal
2017	$ 1,500,000
2018	1,500,000
2019	1,500,000
2020	950,000
	$ 5,450,000

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 $115,040 at June 30, 2016.

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, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	12.20%	6.25%

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

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 2,340,633

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, 2015, 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, 2014 rolled forward to June 30, 2015 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.

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, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.07984%
Proportion - June 30, 2015	0.08532%
Change - Increase (Decrease)	0.00548%

For the year ended June 30, 2016, the District recognized pension expense of $167,421. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 307,912	$ -
Differences between actual and expected experience	17,024	-
Change in assumptions	-	(161,063)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	277,212	-
Net differences between projected and actual earnings on plan investments	-	(80,743)
Total	$ 602,148	$ (241,806)

$307,912 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	$ (20,841)
2018	(16,871)
2019	(13,064)
2020	103,206
2021	-
Thereafter	-

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, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(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 morality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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:

The discount rate used to measure the total pension liability was 7.65% 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 of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	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	6.65%
Net Pension Liability	$ 3,552,553
Current Discount Rate	7.65%
Net Pension Liability	$ 2,340,633
1% Increase	8.65%
Net Pension Liability	$ 1,340,053

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, 2016, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

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.

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, 2016, the District's average contribution rate was 5.01% of annual payroll.

Employees Covered:

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	4
Total	8

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, 2016, using an annual actuarial valuation as of January 31, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

B. Net Pension Liability (Continued):

Actuarial Assumptions:

The total pension liabilities in the January 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	January 31, 2016
Measurement Date	June 30, 2016
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, 2016	11 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	CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.
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(a)(17) limitations. Limit is assumed to index with rate of inflation.
Form of Payment	Single Life Annuity

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 covet 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.

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 June 30, 2016.

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 3-Month T-Bills	3.34%	0.42%	0.41%
U.S. Core Fixed Income	Barclays Aggregate	38.34%	2.12%	1.99%
U.S. Equity Market	Russell 3000	44.76%	5.12%	3.81%
Foreign Developed Equity	MSCI EAFE NR	10.16%	5.85%	4.20%
Emerging Markets Equity	MSCI EM NR	3.40%	8.07%	4.79%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.89%	1.89%
Portfolio Real Mean Return			3.99%	3.48%
Portfolio Nominal Mean Return			6.31%	5.86%
Portfolio Standard Deviation				9.90%
Long-Term Expected Rate of Return				7.00%

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)
Balance at June 30, 2015	$ 509,852	$ 557,327	$ (47,475)
Changes in the Year:			
Service cost	4,277	-	4,277
Interest on the total pension liability	34,787	-	34,787
Differences between expected and actual experience	27,118	-	27,118
Changes in assumptions	18,051	-	18,051
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(34,940)	(34,940)	-
Contributions - employer	-	19,000	(19,000)
Contributions - members		-	-
Net investment income	-	(5,184)	5,184
Administrative expenses	-	(2,680)	2,680
Net Changes	49,293	(23,804)	73,097
Balance at June 30, 2016	$ 559,145	$ 533,523	$ 25,622

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:

	Miscellaneous
1% Decrease	6.00%
Net Pension Liability	$ 89,852
Current Discount Rate	7.00%
Net Pension Liability	$ 25,622
1% Increase	8.00%
Net Pension Liability (Asset)	$ (28,521)

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, 2016, the District recognized pension expense of $32,311. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ -	$ -
Differences between expected and actual experience	17,433	-
Change in assumptions	11,604	-
Net differences between projected and actual earnings on plan investments	47,135	-
Total	$ 76,172	$ -

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
2017	$ 28,939
2018	25,712
2019	12,809
2020	8,712
2021	-
Thereafter	-

E. Payable to the Pension Plan:

At June 30, 2016, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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.

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 $1,592 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 has a valuation date of July 1, 2015 based on GASB 45 entry age normal method.

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, 2016.

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, 2016, the District has 8 retirees receiving benefits and 12 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	$ 51,916
Interest on net OPEB asset	(69,080)
Adjustment to annual required contribution	59,730
Annual OPEB cost (expense)	42,566
Actual contributions made	-
Decrease in net OPEB asset	42,566
Net OPEB asset - beginning of year	(986,851)
Net OPEB asset - end of year	$ (944,285)

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, 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Asset
6/30/14	$ 55,570	251.28%	$ (1,043,259)
6/30/15	56,408	0.00%	(986,851)
6/30/16	42,566	0.00%	(944,285)

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, 2015
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
Inflation	2.75%
Investment Return:	
Discount Rate	7.25%
Ultimate Trend Rate	4%
Projected Salary Increase (Age-adjustment factor)	2.75%
Healthcare Trend Rate	4%

9. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Funded Status and Funding Progress:

As of July 1, 2015, the most recent actuarial valuation date, the plan was 107.20% funded. The actuarial accrued liability for benefits was $1,889,108, and the actuarial value of assets was $2,025,077, resulting in a funding excess of $(135,469). Assets were valued using a five year smoothing formula with a 20% corridor around market value. The covered payroll (annual payroll of active employees covered by the plan) was $1,180,970 and the ratio of the funding excess to the covered payroll was (11.51)%.

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 116 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.

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 2015-16, 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) $2.5 million annual aggregate deductible in the $3 million x/s $2 million layer, and (b) $3 million annual aggregate deductible in the $5 million x/s $10 million layer. There is a third annual aggregate deductible in the amount of $2.5 million in the aggregate deductible in the $5 million x/s $5 million layer, however it is fully covered under a separate policy and therefore not retained by the Insurance Authority.

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.

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 2015-16 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 $3,809,265. 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 2015-16.

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, 2016, the District had restricted fund balances/net position of $2,329,847, which pertains to the Seawall Mitigation fees.

During the year ended June 30, 2016, 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, 2016 was $900,000.

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

As of June 30, 2016, the District had unassigned fund balance reserves of $9,745,140. 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%)	$ 3,419,853
Accumulated depreciation (100%)	1,066,942
Emergency contingency	1,000,000
Total Board Designated Reserve	$ 5,486,795

14. SUBSEQUENT EVENTS:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 11, 2017, 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*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.85320%	0.07984%
Plan's proportionate share of the net pension liability	$ 2,340,633	$ 1,973,232
Plan's covered - employee payroll	$ 1,180,917	$ 1,018,700
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	198.20%	193.70%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	76.83%
Plan's proportionate share of aggregate employer contributions	$ 226,858	$ 176,921

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF CONTRIBUTIONS
CalPERS PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 307,912	$ 265,789
Contributions in relation to the actuarially determined contributions	(307,912)	(265,789)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll	$ 1,246,036	$ 1,213,014
Contributions as a percentage of covered - employee payroll	24.71%	21.91%

Notes to Schedule:

	June 30, 2013	June 30, 2012
Valuation Date	June 30, 2013	June 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	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	Morality 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 two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

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

Last Ten Fiscal Years*

	2016	2015
Total Pension Liability:		
Service cost	$ 4,277	$ 4,360
Interest on total pension liability	34,787	34,341
Differences between expected and actual experience	27,118	-
Changes in assumptions	18,051	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(34,940)	(29,640)
Net Change in Total Pension Liability	49,293	9,061
Total Pension Liability - Beginning of Year	509,852	500,791
Total Pension Liability - End of Year (a)	$ 559,145	$ 509,852
Plan Fiduciary Net Position:		
Contributions - employer	$ 19,000	$ 19,000
Contributions - employee	-	-
Net investment income (loss)	(5,184)	14,913
Benefit payments	(34,940)	(29,640)
Administrative expenses	(2,680)	-
Net Change in Plan Fiduciary Net Position	(23,804)	4,273
Plan Fiduciary Net Position - Beginning of Year	557,327	553,054
Plan Fiduciary Net Position - End of Year (b)	$ 533,523	$ 557,327
Net Pension Liability (Asset) - Ending (a)-(b)	$ 25,622	$ (47,475)
Plan fiduciary net position as a percentage of the total pension liability	95.42%	109.31%
Covered - employee payroll	$ 316,289	$ 379,340
Net pension (asset) liability as a percentage of covered- employee payroll	8.10%	-12.52%

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 two years are shown.

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN

Last Ten Fiscal Years*

	2016	2015
Actuarially determined contribution	$ 4,492	$ 4,361
Contributions in relation to the actuarially determined contributions	(19,000)	(19,000)
Contribution deficiency (excess)	$ (14,508)	$ (14,639)
Covered - employee payroll	$ 316,289	$ 379,340
Contributions as a percentage of covered - employee payroll	6.01%	5.01%

Notes to Schedule:

Valuation Date	01/31/2016

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	11 years at January 31, 2016
Asset valuation method	None
Inflation	2.50%
Salary increases	3.00%
Cost of living adjustment	2.00%
Investment rate of return	7.00%
Retirement age	Age 59 or current age if older
Mortality	CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.

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

MONTEREY PENINSULA REGIONAL PARK DISTRICT

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN

For the year ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded AAL (Funding Excess) as a % of Covered Payroll [(b)-(a)]/c]
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%
07/01/2015	2,025,077	1,889,108	(135,969)	107.20%	1,180,970	-11.51%

MONTEREY PENINSULA REGIONAL PARK DISTRICT

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT - GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property taxes	$ 3,277,200	$ 3,277,200	$ 3,548,890	$ 271,690
Assessment district	1,163,786	1,163,786	1,164,640	854
Grants	1,500,000	1,549,957	1,789,255	239,298
Investment earnings	40,000	40,000	153,757	113,757
Donations, fees and other charges	10,000	7,500	10,502	3,002
Rent	38,000	33,000	33,013	13
Other revenue	10,000	262,200	20,742	(241,458)
TOTAL REVENUES	6,038,986	6,333,643	6,720,799	387,156
EXPENDITURES:				
Current:				
General and Administrative:				
Salaries and wages	382,200	376,200	373,864	2,336
Employee benefits and payroll taxes	206,800	367,617	317,473	50,144
Insurance	111,400	111,400	106,233	5,167
Professional services	116,100	282,000	200,912	81,088
Office lease	74,500	74,500	63,316	11,184
Other post-employment benefits	-	13,250	-	13,250
Utilities	18,000	18,000	19,904	(1,904)
Publications and memberships	12,000	12,000	11,642	358
Computer maintenance and supplies	8,700	12,000	12,337	(337)
Board compensation	7,000	7,000	6,900	100
Travel, conferences and meetings	10,000	10,000	3,512	6,488
Equipment rentals and leases	6,000	6,000	7,085	(1,085)
Office supplies and equipment	6,500	6,500	5,542	958
Legal	6,000	6,000	4,532	1,468
Job training and education	5,000	5,000	1,687	3,313
Taxes and assessments	2,000	3,400	3,333	67
Postage	5,000	8,500	8,090	410
Vehicle maintenance and fuel	1,000	1,000	993	7
Miscellaneous	300	300	245	55
Printing	5,000	18,300	18,163	137
Advertising	-	31,800	27,633	4,167
Total General and Administrative	983,500	1,370,767	1,193,396	177,371

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (CONTINUED):				
Current (Continued):				
Operations and Maintenance:				
Salaries and wages	527,900	$ 514,000	$ 498,475	$ 15,525
Employee benefits	291,300	247,900	200,344	47,556
Other post-employment benefits	-	37,100	-	37,100
Utilities	45,000	45,000	49,697	(4,697)
Vehicle maintenance and fuel	18,500	18,500	16,429	2,071
Supplies	16,500	16,500	15,474	1,026
Building repairs	20,000	17,500	15,361	2,139
Computer maintenance and supplies	10,000	10,000	9,227	773
Capital outlay	9,500	9,500	6,193	3,307
Janitorial supplies	11,500	11,500	10,055	1,445
Equipment maintenance	12,000	12,000	6,246	5,754
Tools	1,500	3,000	2,974	26
Uniforms	3,000	3,000	3,000	-
Miscellaneous	8,000	7,500	3,437	4,063
Job training and education	8,000	8,000	7,327	673
Natural resource maintenance	2,500	5,000	5,809	(809)
Trail maintenance	2,000	2,000	1,861	139
Printing	2,500	2,500	77	2,423
Total Operations and Maintenance	989,700	970,500	851,986	118,514
Education and Outreach:				
Salaries and wages	253,000	227,000	223,903	3,097
Employee benefits	99,100	77,275	74,599	2,676
Other post-employment benefits	-	11,925	-	11,925
Printing	22,000	22,000	19,574	2,426
Postage	21,500	21,500	20,924	576
Professional services	12,000	12,000	7,761	4,239
Equipment	1,500	1,500	147	1,353
Environmental education - schools	3,000	3,000	1,175	1,825
Interpretive programs - parks	9,000	9,000	11,733	(2,733)
Computer maintenance and supplies	5,500	5,500	5,317	183
Docent and volunteer programs	5,500	5,500	4,285	1,215
Utilities	8,800	10,000	10,277	(277)
Advertising	4,000	4,000	1,896	2,104
Miscellaneous	700	700	450	250
Equipment rental and leases	1,000	1,000	-	1,000
Supplies	1,200	1,200	1,129	71
Job training and education	1,500	1,500	1,001	499
Vehicle maintenance and fuel	2,000	2,000	1,158	842
Special events - outreach	1,000	1,000	2,233	(1,233)
Travel, conferences and meetings	1,500	1,500	514	986
Insurance	1,600	1,000	306	694
BTW Grant	-	49,957	36,522	13,435
Total Education and Outreach	455,400	470,057	424,904	45,153

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, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED):				
Current (Continued):				
Assessment District:				
Community and neighborhood parks	$ 150,000	$ 150,000	$ 105,503	$ 44,497
Palo Corona improvements	385,000	385,000	343,349	41,651
Sherar property lease/option payment	60,000	60,000	60,000	-
Invasive weed management	35,000	35,000	-	35,000
Seasonal and contract services	30,000	30,000	15,016	14,984
Professional services	300,000	200,000	62,787	137,213
Equipment maintenance	45,000	45,000	25,142	19,858
Vehicle acquisition	-	175,000	-	175,000
Garland Park improvements	150,000	100,000	10,051	89,949
Trail construction and rehabilitation	20,000	20,000	10,726	9,274
Park security systems	5,000	5,000	3,952	1,048
Cachagua center play equipment	5,000	5,000	-	5,000
Well replacement	300,000	60,000	-	60,000
Joyce Stevens Imporvements	35,000	-	-	-
Locke-Paddon Improvements	35,000	-	-	-
Total Assessment District	1,555,000	1,270,000	636,526	633,474
Planning and Conservation Management:				
Salaries and wages	217,700	217,700	190,201	27,499
Resource management - PCRP	125,000	125,000	51,589	73,411
Employee benefits	71,700	60,275	56,973	3,302
Other post-employment benefits	-	6,625	-	6,625
Professional services	150,000	50,000	84,378	(34,378)
Resource management - Marina Dunes	180,000	80,000	34,082	45,918
Resource management - GRRP	35,000	35,000	-	35,000
Resource management - Frog Pond	5,000	-	-	-
Vehicle maintenance and fuel	3,000	3,000	1,253	1,747
Miscellaneous	5,500	8,000	5,629	2,371
Computer maintenance and supplies	2,000	2,400	2,674	(274)
Total Planning and Conservation Management	794,900	588,000	426,779	161,221
Debt Service:				
Principal	1,500,000	1,500,000	1,500,000	-
Total Debt Service	1,500,000	1,500,000	1,500,000	-
TOTAL EXPENDITURES	6,278,500	6,169,324	5,033,591	1,135,733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(239,514)	164,319	1,687,208	1,522,889
FUND BALANCE AT BEGINNING OF YEAR	11,370,927	11,370,927	11,370,927	-
FUND BALANCE AT END OF YEAR	$ 11,131,413	$ 11,535,246	$ 13,058,135	$ 1,522,889

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2017.

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.

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Offices located in Orange and San Diego Counties

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Diehl Evans LLP

Irvine, California
January 11, 2017