FORT ORD REUSE AUTHORITY

920 2nd Avenue, Suite A, Marina, CA 93933
Phone: (831) 883-3672 | Fax: (831) 883-3675 | www.fora.org

FINANCE COMMITTEE MEETING
3:30 p.m. Monday, November 7, 2016
920 2nd Avenue, Suite A, Marina CA 93933 (FORA Conference Room)

AGENDA

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

4. APPROVAL OF MEETING MINUTES
a. April 11, 2016 Finance Committee Minutes — ACTION

5. PUBLIC COMMENT PERIOD
Members of the audience wishing to address the FORA Finance Committee on matters within the jurisdiction of FORA, but not on this agenda, may do so during the Public Comment Period for up to three minutes. Specific agenda item comments are heard at the time the matter is considered.

6. BUSINESS ITEMS — ACTION
a. FY 15-16 Annual Financial Statements (Audit Report)
Auditor Moss, Levy & Hartzheim in attendance. Consider recommending FORA Board report acceptance.

7. NEXT MEETING DATE — ACTION
TBD

8. ADJOURNMENT

To request disability related accommodations please contact the Deputy Clerk 48 hours prior to the meeting at (831)883-3672. Agenda materials are available on the FORA website at www.fora.org.

FORT ORD REUSE AUTHORITY
FINANCE COMMITTEE MEETING MINUTES

Monday, April 11, 2016 | FORA Conference Room
920 2nd Avenue, Suite A, Marina CA 93933

1. CALL TO ORDER

Immediate Past Chair/Member Oglesby called the meeting to order at 3:35 p.m. Chair Morton joined meeting at 3:50 p.m. The following were present:

Members:	Public:	FORA Staff:
Gail Morton, City of Marina	Bob Shaffer	Michael Houlemard
Casey Lucius, City of Pacific Grove	Wendy Eliot	Steve Endsley
Andre Lewis, CSUMB		Helen Rodriguez
Ian Oglesby, City of Seaside		Ivana Bednarik
Absent:		Marcela Fridrich
Nick Chiulos, County of Monterey		Peter Said
Alan Haffa, City of Monterey		

2. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE – Executive Officer Houlemard announced the advertising for a FORA prevailing wage coordinator in several outlets including the FORA website.

3. PUBLIC COMMENT PERIOD – None

4. FEBRUARY 1, 2016 MINUTES – Adopted: Motion Lucius, Second Lewis. Passed. *Ayes*; Morton, Lucius, Lewis, Oglesby. *Noes*; None.

5. FY 16-17 PRELIMINARY BUDGET – Michael Houlemard introduced the Preliminary Budget. Finance Committee (FC) Members then received a revised draft preliminary budget from the one released with the Finance Committee packet. Copies were made available to the public as well. Finance Controller provided a brief summary explaining the revisions and emphasized that the CIP and Lease and Land Sale components of the budget represented estimates available at the time of review and are pending the completion of the CIP Budget anticipated sometime in July or August. She added that a current Salary Study is in progress, and upon its completion the Finance and Executive Committees will review this item and provide a recommendation to the Board at its next meeting.

FC Members 1) expressed concern about the $9.7M of proposed expenditures in excess of projected income, 2) asked about Land Sale and CFD revenue stream projections and 3) inquired about the fund balances as noted on the budget presentation. Chair Morton asked staff to: 1) itemize the fund balance identifying all committed or assigned funds so as to identify unassigned fund balances, 2) prepare a summary of the prior 5 year Cost of Living Adjustments (COLA) that FORA has given and its impact in the current year draft budget; and 3) provide information on what the surrounding member jurisdictions' proposed budget for COLA, if available. Members requested that the CIP and Lease and Land Sale budget be further updated. Staff responded that these items will be revised and sent to them pursuant to their requests.

MOTION:
Moved by member Lewis, seconded by member Lucius to forward the FY 16-17 Preliminary Budget with requested revisions and additional information to the Executive Committee/Board for their consideration.

MOTION WAS UNANIMOUS. Ayes: Morton, Oglesby, Lucius, Lewis. Nays; None.

6. NEXT MEETING DATE – FC Members agreed that the April 23rd meeting is not required.

7. ADJOURNMENT – Meeting adjourned at 4:27 PM.

Minutes prepared by Marcela Fridrich.

FORT ORD REUSE AUTHORITY
MARINA, CALIFORNIA

Annual Financial Report

June 30, 2016

Board of Directors

Voting Members	**Representing**	**Title**
Mayor Pro Tem Frank O'Connell	City of Marina	Chair
Mayor Ralph Rubio	City of Seaside	1st Vice Chair
Supervisor Jane Parker	County of Monterey	2nd Vice Chair
Mayor Jerry Edelen	City of Del Rey Oaks	Director
Council Member Jan Reimers	City of Carmel-by-the-Sea	Director
Council Member Gail Morton	City of Marina	Director
Supervisor Dave Potter	County of Monterey	Director
Supervisor John Phillips	County of Monterey	Director
Vice Mayor Alan Haffa	City of Monterey	Director
Mayor David Pendergrass	City of Sand City	Director
Mayor Joe Gunter	City of Salinas	Director
Mayor Pro Tem Ian Oglesby	City of Seaside	Director
Council Member Casey Lucius	City of Pacific Grove	Director

Appointed Official

Michael A. Houlemard, Jr.
Executive Officer

FORT ORD REUSE AUTHORITY
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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SINGLE AUDIT REPORT

FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Ord Reuse Authority
Marina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Fort Ord Reuse Authority (Authority), California, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Proprietary Fund and Business-type Activities

The Authority has not recorded the value of land and buildings, and accurate recording of other capital assets listed in Note 4 and related depreciation expense is not being maintained by the Authority within its business-type activities (Preston Park). Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities (Preston Park). These amounts are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Proprietary Fund and Business-type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Proprietary Fund and Business-type Activities of the Authority, as of June 30, 2016, and the changes in financial position and, where applicable, cash flow thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major governmental fund of the Fort Ord Reuse Authority, California, as of June 30, 2016, and the respective changes in financial position, for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, the Budgetary Comparison Schedule on page 40, the Schedule of Plan's Proportionate Share of Net Liability and Related Ratios as of Measurement Date – Authority Miscellaneous Plan on page 41, the Schedule of Contributions – Authority Miscellaneous Plan on page 42, and the Schedule of Funding Progress for Post-Employment Benefits Other than Pensions on page 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
XXX

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This Fort Ord Reuse Authority's (FORA) financial statement section presents FORA's financial performance analysis of fiscal year ended June 30, 2016, presented in conjunction with the basic financial statements and related notes, that follow this section.

This is management's discussion and analysis (MD&A) of FORA financial performance for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

The national, state, and regional recovery from the 2006-2012 economic downturn/recession has significantly improved Fort Ord reuse and economic recovery. Consequently, FORA Community Facilities District Special Tax/Developer fee (CFD fee) and land sale revenues (that had been slow/ deferred/reduced during the Great Recession have now returned in modest amounts. Since 2012 new significant projects have begun construction, including: VA General Gourley Health Care Center, California Central Coast Veterans Cemetery, South County Housing University Villages Apartments, Manzanita Place Housing, the Cinemax Theatre Complex, Promontory Student Housing, Marriott/Springhill Suites Hotel, Dunes Fast Casual Restaurants, and East Garrison and the Dunes on Monterey Bay Housing. Other revenue sources have also risen as valuation has increased our tax share amounts this past year. Also, the final escrow closing of the Preston Park Housing complex resulted in paying off all existing indebtedness and provided a reserve sum for future building removal and other obligations.

<u>During FY 15-16, FORA:</u>

- ❖ Continued essential and significant munitions and explosives of concern (MEC) cleanup for approximately 3,450 acres of former FORA Land. The field work has been completed under the U.S. Army ESCA contract and about 25% of these properties have now been transferred to the County of Monterey, Monterey Peninsula College and State of California for reuse activities and habitat conservation.

- ❖ Established a $10 million Reserve account designating funds for California Public Employees Retirement System (CalPERS) pension liabilities and operating obligations through FORA 2020 sunset.

- ❖ Designated additional $5 million towards completion of FORA's building removal responsibilities at Surplus II and Stockade areas.

- ❖ Completed second administrative draft Environmental Impact Report/Environmental Impact Statement for HCP. The draft HCP will be released for public review in 2016.

- ❖ Collected $41.1 million in redevelopment revenues, including $5.2 million in CFD fees, $35.0 million from the sale of Preston Park, and $1.6 million in property tax payments. Additional land sales, CFD fee and tax revenue is expected in FY 16-17.

- ❖ Hired a Prevailing Wage Coordinator to assist FORA jurisdictions in complying with the provisions of the FORA Master Resolution requiring the payment of prevailing wages on construction work performed on the former FORA.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the FORA's basic financial statements and includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

1) The *government-wide financial statements* provide both long-term and short-term information about FORA's overall financial status and inform how FORA's general government services were financed in the short term as well as what remains for future spending. 2) The *fund financial statements* focus on individual components of FORA's governmental funds and report FORA's operations in more detail than the government-wide statements. 3) The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Statements

The government-wide financial statements provide information about FORA activities as a whole and present a comprehensive overview of FORA's finances. The government-wide financial statements include Preston Park Housing project information, reported in business-type of activities.

The *statement of net position* presents information on all of the FORA's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in FORA's net position are one indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the FORA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all the current year's revenue and expenses are reported in the statement of activities regardless of when cash is received or paid. The focus of the government-wide statement of activities is on the net cost of governmental activities and business-type activities provided by a governmental entity.

FORA was engaged in the following types of activities:

Governmental Activities: During the FY 15-16 FORA employed federal grants, property tax receipts, lease proceeds, development fees, franchise fees and membership dues to finance:

- MEC remediation investigation, processing, documentation, and removals;
- Capital Improvement (including building removal and water augmentation) planning;
- General governmental operations administration and planning;
- BRP implementation, consistency determinations, and review;
- Regional Urban Design Guidelines development;
- Legal expenses for ongoing litigation and multiple contracts;
- Property surveys and transfers;
- Habitat conservation planning;
- Pollution legal liability protection;
- Business Recruitment and Regional Economic Development; and
- Preston Park Housing management.

The government-wide financial statements can be found on *pages 10-11* of this report.

Fund Financial Statements

Fund financial statements provide a *short-term* look at FORA's fiscal accountability and compliance with restrictions on the use of certain financial resources. The fund financial statements provide detailed information about the most significant funds - not the Authority as a whole.

Governmental Funds*:* FORA's services and activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for appropriation. FORA maintains the General Fund and four Special Revenue Funds.

The General Fund: The general operating fund accounts for all of FORA's financial resources except for those resources that are required to be accounted for in Special Revenue Funds, which are restricted as to expenditures.

Special Revenue Funds: In FY 15-16 FORA maintained four Special Revenue Funds: 1) Lease/Land Sale Proceeds Fund - land sale proceeds are designated to finance the FORA CIP (building removal), lease proceeds are designated to debt financing (Preston Park Loan); 2) Developer Fees Fund – CFD fees are designated to finance the FORA CIP (CEQA mitigations); 3) Pollution Legal Liability (PLL) Fund – revenue is designated to finance the PLL coverage; and 4) Army Grant ET/ESCA – grant funds are designated to finance the munitions and explosives cleanup activities.

Proprietary Fund*:* Preston Park Housing revenues and expenses are reported in this fund.

The fund financial statements can be found on *pages 12-19* of this report.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide long-term and short-term information about FORA's overall financial condition.

Net position in the Statement of Activities on *page 10* of this report show FORA governmental activities improved over the last 12 months from $1.1 million to positive $39.3 million, primarily due to the sale of Preston Park. A positive balance in net position means that all assets FORA had at the fiscal year end (including long-term receivables and non-liquid assets) exceed all liabilities (including long-term debt not due at the end of the fiscal year). In addition, the unspent balance in the ESCA grant fund at June 30, 2016 of $1.4 million is classified as revenue collected in advance of the earnings process and recorded as unearned revenue, a liability account, for financial statement purposes. It will be recognized as revenue when it is earned. The business-type activities (Preston Park) also show a decrease in net position from $6.4 million to $0.0 million as the property was sold and the fund was closed and remaining fund balance was transferred to the governmental funds.

Revenue

FORA annual revenue (including operation and sale of Preston Park) increased from $16.8 million to $38.3 million primarily due to the gain on sale of Preston Park and increase in CFD fees offset by decrease of lease rental revenue and federal funds (ESCA) (as compared to the previous fiscal year). Other revenue sources did not vary significantly.

Revenue sources in FY 15-16 were provided from the following:

- Gain on sale of Preston Park – 73%
- Lease proceeds - 5%
- CFD fees – 13%
- Property tax - 4%
- Federal funding (ESCA) - 2%
- Other revenue sources (franchise fees, membership dues, interest, PLL) - 3%

Expenditures

The FY 15-16 cost of FORA programs was $6.5 million (including Preston Park expenses). The cost of governmental programs was about $5.7 million and business-type activities (Preston Park) about $0.8 million. The major governmental programs were the Environmental cleanup, Capital Improvement Program and the Fort Ord Base Reuse Plan reassessment/implementation.

The government-wide financial statement showing the net cost of FORA's major projects can be found on *pages 10-11* of this report.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

A fund is a group of related accounts used to maintain resource control and is segregated for specific activities or objectives. Reporting standards require that a major governmental fund be presented in a separate column in the fund financial statements. In accordance with GASB Stmt. No. 34, paragraph 76, FORA has elected to report all its special revenue funds as major funds as these funds are important to financial statement users. The General Fund is always considered a major fund and therefore presented in a separate column. The fund financial statements focus on FORA's individual parts.

The segregated governmental funds provide information on near-term inflows, outflows and balances of expendable resource balance. As FORA completed the fiscal year, its governmental funds reported a combined fund balance of $41.0 million; an increase of about $20.6 million from FY 14-15.

$38.1 million of the $41.0 million ending fund balance is assigned or committed for specific use such as federal grant funds assigned for munitions cleanup, CFD fees and land sale proceeds assigned for CIP projects, building removal and the Habitat Conservation Plan, CalPERS pension liabilities, FORA 2020 Sunset operating obligations and non-spendable funds such pre-paid insurance. Approximately $2.9 million is available for administration, operations and reserves.

Ending Fund Balances

Fiscal Year	General Fund	Land Sale/Leases	Developer Fees	Pollution Liability	Army Grants	TOTALS
2014-2015	$ 7,698,418	$ 3,925,777	$ 8,539,392	$ 226,842	$ -	$ 20,390,429
2015-2016	$ 14,361,786	$ 11,829,557	$ 14,571,550	$ 226,676	$ -	$ 40,989,569
Change + (-)	$ 6,663,368	$ 7,903,780	$ 6,032,158	$ (166)	$ -	$ 20,599,140

BUDGETARY HIGHLIGHTS

A budget is a financial operations plan that provides a basis for planning, controlling, and evaluating governmental activities. Governmental funds generally use a fixed budget, which reflects a specific estimate for revenue and expenditures. Once expenditures and revenue are incorporated into the budget, the total estimated expenditure appropriation amount becomes a limit for current expenditures, and the estimated revenue amount becomes the basis for comparison to actual revenue. Even though FORA is not legally subject to budgetary controls, the budget is included as a part of the general accounting record, and it is used as a guide to controlling expenses.

The FORA Board approved the FY 15-16 budget on May 8, 2015 and the mid-year budget update on March 11, 2016. As development activities on the former Fort Ord have steadily increased, FORA Board policies have gained financial stability.

Budget Variances (mid-year budget projections to year-end actual)

FY 15-16	Budget	Actuals	Variance	Notes
Revenues	$ 42,586,789	$ 44,003,915	$ 1,417,126	Preston Park Sale, Lease/Rental Income, other revenue
Expenditures	$ 34,561,012	$ 23,404,775	$ 11,156,237	Contracts, CIP, PLL Insurance
Surplus (Deficit)	$ 8,025,777	$ 20,599,140	$ 12,573,363	

Revenue: Net $1.4 million increase

Revenue projections did not significantly vary from the mid-year budget.

- Lease/Rental Income – lease for Preston Park thru date of sale was not included in budget.
- Other revenue – PLL $360K (a receivable from prior year) was budgeted as a revenue source. The PLL receivable was reported as revenue in the prior year and collected in the current year.
- Real estate sales – The Preston Park Sale was budgeted in the FORA governmental funds. But, the sale proceed was reported in the proprietary fund first and then transferred to the governmental funds.

Expenditures: $11.2 million decrease

Due to project timing in Contractual and Capital categories and financial presentation (budget v. financial statements). Other expenditure categories (Salaries, Office Expenses and Debt Financing) were in line with the approved budget.

- $11.1 million Capital Project decrease due to a) CFD fee collection (as capital projects are CFD fee collection dependent) and project timing; and b) building removal activities deferred to FY 16-17.

The budgetary comparison information schedule can be found on page 40 of this report.

LONG-TERM DEBT

As of June 30, 2016, FORA had approximately $2.4 million in long-term debt consisting of compensated absences and retirement funding obligations. This amount represents FORA's liability for compensated absences (vacation and sick leave $0.2 million), pension liability ($1.5 million), and post-employment benefit cost ($0.7 million).

Update: On October 10, 2016 pursuant to the approved FY 16-17 budget, FORA made a $0.4 million payment to CalPERS to reduce pension liability and pay-off side fund.

More detailed information about FORA's total long-term debts is presented on *pages 30-36, Notes 5-11* to the financial statements.

INTERFUND TRANSFERS

By June 30, 2016, the following interfund (between FORA funds) transfers were made to provide an accurate accounting of funds available for CIP program and uniformity with the annual and CIP budgets as well as other binding documents. Such entries are now a part of and reported in annual budgets.

1) $6.1 million transfer from the Land Sale/Leases Fund to the General Fund of any remaining lease proceeds (after Preston Park debt service and other budgeted costs) leaving only Land Sale proceeds in this fund, thus providing an accurate balance of the funds available for building removal and other CIP projects.
2) $593,460 transfer from the CFD/Developer Fee Fund to the General Fund to partially repay the $7.9 million borrowed to fund capital projects and as budgeted in the CIP program.

In addition, the propriety fund transferred $35 million to the government fund for the sale proceed of Preston Park to paid off the Preston Park loan, development fees, and reimbursed the legal fees.

More detailed information about FORA's Interfund transfers is presented on *pages 30-36, Note 3* to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In FY 15-16 major economic revitalization projects (itemized on page 1) were under construction or were completed. These major/significant projects are supported by FORA's CIP program items such as habitat conservation, roadway design and planning, building removal, and the conclusion of much of the remaining field work under the U.S. Army ESCA contract.

In coming years, FORA will need to confirm/access land sales/leasing revenue to continue support for blight removal and assure collection of developer fees/taxes to complete its State Law mandated obligations. FORA will also need to develop a functional budget plan to address CalPERS pension/health care obligations and operational funding through 2020 and begin preparations for a report to the legislature due in 2018 regarding FORA sunset/transition issues.

As 1) underlying economic factors have rebounded from the 2007-2012 recession and 2) FORA sunsets in 2020, it is important that FORA secures revenue sources in a reserve that assures its post sunset obligations (programmatic, contractual and ministerial) may be met by a successor in interest. Assuming the rebound continues, FORA should be financial solvent and be able to fund its known obligations through its sunset. Since there is a pending transition, taking on new obligations must be limited/restricted as each new requirement comes with an impact to funding post 2020 obligations.

CONTACTING FORA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of FORA's finances, and to demonstrate FORA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fort Ord Reuse Authority, Executive Officer, 920 2nd Avenue, Suite A, Marina, California, 93933.

Michael A. Houlemard, Jr.
Executive Officer

FORT ORD REUSE AUTHORITY
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 41,598,033	$ -	$ 41,598,033
Accounts receivable	683,413		683,413
Interest receivable	106,443		106,443
Prepaid expenses	1,462,002		1,462,002
Capital assets, net of accumulated depreciation	21,179		21,179
Total Assets	43,871,070		43,871,070
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	236,291		236,291
Total Deferred Outflows of Resources	236,291		236,291
LIABILITIES			
Accounts payable and accrued expenses	743,387		743,387
Unearned revenue	1,415,426		1,415,426
Long-term debt and obligations:			
Due within one year	50,870		50,870
Due in more than one year	2,343,300		2,343,300
Total Liabilities	4,552,983		4,552,983
DEFERRED INFLOWS OF RESOURCES			
Pensions	219,475		219,475
Total Deferred Inflows of Resources	219,475		219,475
NET POSITION			
Net investment in capital assets	21,179		21,179
Unrestricted	39,313,724		39,313,724
Total Net Position	$ 39,334,903	$ -	$ 39,334,903

See accompanying notes to basic financial statements

Government-wide Financial Statements

FORT ORD REUSE AUTHORITY
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	**Program Expenses**	**Charges for Services**	**Operating Grants and Fees**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental Activities						
General government	$ 3,153,332	$ -	$ 48,335	$ (3,104,997)	$ -	$ (3,104,997)
Capital improvements	539,924		5,034,626	4,494,702		4,494,702
Environmental cleanup	845,329		845,329			
Reuse planning/EDC transfers & environmental	963,276		471,260	(492,016)		(492,016)
subtotal - capital improvement program	2,348,529		6,351,215	4,002,686		4,002,686
Interest on long-term debt and short-term debt	167,541			(167,541)		(167,541)
Total governmental activities	5,669,402		6,399,550	730,148		730,148
Business-type Activities						
Preston Park	790,550	1,261,580			471,030	471,030
Total business-type activities	790,550	1,261,580			471,030	471,030
Total primary government	$ 6,459,952	$ 1,261,580	$ 6,399,550	730,148	471,030	1,201,178
General revenues:						
Property tax revenue				1,625,543		1,625,543
Membership dues				261,000		261,000
Franchise fees				289,521		289,521
Investment earnings				129,959	619	130,578
Miscellaneous				181,447	16,386	197,833
Transfers				35,000,000	(35,000,000)	
Total general revenues and transfers				37,487,470	(34,982,995)	2,504,475
Change in net position before Special Item				38,217,618	(34,511,965)	3,705,653
Special Item - Gain on the Sale of Preston Park					28,098,619	28,098,619
Change in net position				38,217,618	(6,413,346)	31,804,272
Net position at beginning of fiscal year				1,117,285	6,413,346	7,530,631
Net position at end of fiscal year				$ 39,334,903	$ -	$ 39,334,903

See accompanying notes to basic financial statements

Fund Financial Statements

FORT ORD REUSE AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Lease and Sale Proceeds	Developer Fees	Pollution Legal Liability	Army Grant ET/ESCA	Total Governmental Funds
ASSETS						
Cash and investments	$ 13,017,833	$ 11,865,443	$ 14,766,163	$ 226,676	$ 1,721,918	$ 41,598,033
Accounts receivable	138,804			544,609		683,413
Interest receivable				106,443		106,443
Prepaid expenses	1,462,002					1,462,002
Total Assets	$ 14,618,639	$ 11,865,443	$ 14,766,163	$ 877,728	$ 1,721,918	$ 43,849,891
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	$ 206,396	$ 35,886	$ 194,613	$ -	$ 306,492	$ 743,387
Unearned revenue					1,415,426	1,415,426
Total Liabilities	206,396	35,886	194,613		1,721,918	2,158,813
Deferred Inflows of Resources:						
Deferred revenue - local contribution	50,457					50,457
Deferred revenue - insurance reimbursements				651,052		651,052
Total deferred inflows of resources	50,457			651,052		701,509
Fund Balances (Note 1L, page 25)						
Non-spendable	1,462,002					1,462,002
Committed				226,676		226,676
Assigned						
Habitat Conservation Plan			10,271,261			10,271,261
Building Removal		6,589,000				6,589,000
Capital Improvement Program		5,240,557	4,300,289			9,540,846
PERS Pension Liabilities	5,300,000					5,300,000
FORA 2020 Sunset Operating Obligations	4,700,000					4,700,000
Unassigned	2,899,784					2,899,784
Total Fund Balances	14,361,786	11,829,557	14,571,550	226,676		40,989,569
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	$ 14,618,639	$ 11,865,443	$ 14,766,163	$ 877,728	$ 1,721,918	$ 43,849,891

See accompanying notes to basic financial statements

FORT ORD REUSE AUTHORITY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds			$	40,989,569
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.				
Capital assets at historical cost	$	176,278		
Accumulated depreciation		(155,099)		
Net				21,179
The focus of governmental funds is on short-term financing, therefore, some assets will not be available to pay for current-period expenditures. Those assets are offset by deferred outflows in the governmental funds and not included in fund balance. Deferred revenue associated with these assets is not included in the statement of net position.				701,509
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.				
Deferred inflows of resources relating to pensions	$	(219,475)		
Deferred outflows of resources relating to pensions		236,291		
Net				16,816
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
Net pension liability	$	(1,484,295)		
OPEB		(742,313)		
Compensated absences		(167,562)		
Total				(2,394,170)
Total net position, governmental activities			$	39,334,903

Fund Financial Statements

FORT ORD REUSE AUTHORITY
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Lease and Sale Proceeds	Developer Fees	Pollution Legal Liability	Army Grant ET/ESCA	Governmental Funds
REVENUE						
Membership dues	$ 261,000	$ -	$ -	$ -	$ -	$ 261,000
Franchise fees	289,521					289,521
Property taxes	1,625,543					1,625,543
Federal grants					845,329	845,329
Developer fees			5,204,876			5,204,876
Lease/Rental income	48,335	417,905				466,240
Investment/Interest earnings	100,537		29,422			129,959
Other revenue	181,447					181,447
Total Revenue	2,506,383	417,905	5,234,298		845,329	9,003,915
EXPENDITURES						
Salaries and benefits	2,289,356		235,766		372,413	2,897,535
Supplies and services	149,442	135	17,410		20,578	187,565
Contractual services	643,285	386,696	152,583	166	452,338	1,635,068
Capital improvements		247,407	281,756			529,163
Insurance amortization	170,520					170,520
Debt service		17,984,924				17,984,924
Total Expenditures	3,252,603	18,619,162	687,515	166	845,329	23,404,775
Excess of revenues over (under) Expenditures	(746,220)	(18,201,257)	4,546,783	(166)		(14,400,860)
OTHER FINANCING SOURCES (USES)						
Transfers in	7,409,588	32,221,165	2,078,835			41,709,588
Transfers out		(6,116,128)	(593,460)			(6,709,588)
Total other financing sources (uses)	7,409,588	26,105,037	1,485,375			35,000,000
Net change in fund balances	6,663,368	7,903,780	6,032,158	(166)		20,599,140
Fund Balances - July 1, 2015	7,698,418	3,925,777	8,539,392	226,842		20,390,429
Fund Balances - June 30, 2016	$ 14,361,786	$ 11,829,557	$ 14,571,550	$ 226,676	$ -	$ 40,989,569

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See accompanying notes to basic financial statements

FORT ORD REUSE AUTHORITY

Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds	$ 20,599,140
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of $10,269 is less than depreciation expense $(21,030) in the period.	(10,761)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	17,817,383
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, amounts earned were greater than amounts paid by:	(243,630)
The focus of governmental funds is on short-term financing, therefore, some assets are offset by unearned revenue or deferred inflows. Loans and notes issued during the year are reported as expenditures in the governmental funds when paid. Collections of loans and notes are reported as revenues in the governmental funds when received. The annual activity for loans and notes is not reported as revenues and expenses in the statement of activities. Net activity including establishment of an allowance.	(116,895)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	203,038
In governmental funds, compensated absences are measured by the amounts paid during the period. In the Statement of Activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	(30,657)
Change in net position of governmental activities	$ 38,217,618

See accompanying notes to basic financial statements

FORT ORD REUSE AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

	Business-type Activities - Enterprise Fund
	Preston Park
ASSETS	
Current Assets:	
Cash and investments	$ -
Cash restricted for capital purchases and projects	
Tenant receivables	
Prepaid expenses	
Total current assets	
Noncurrent Assets:	
Property and equipment, net of accumulated depreciation	
Total noncurrent assets	
Total assets	$ -
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	
Unearned revenue	$ -
Total current liabilities	
Noncurrent liabilities:	
Tenant security deposits	
Total noncurrent liabilities	
Total liabilities	
NET POSITION	
Net investment in capital assets	
Restricted for:	
Captial purchases and projects	
Unrestricted	
Total net position	$ -

FORT ORD REUSE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund
	Preston Park
Operating Revenues:	
Rental income, net	$ 1,261,580
Total operating revenues	1,261,580
Operating Expenses:	
Administrative	138,540
Utilities	25,186
Operating and maintenance	142,987
Taxes and insurance	65,932
Depreciation	
Total operating expenses	372,645
Operating income (loss)	888,935
Non-Operating Revenues (Expenses):	
Interest income	619
Miscellaneous revenue	16,386
Total non-operating revenues (expenses)	17,005
Income Before Distribution to Owners and Transfers	905,940
Transfers out	(35,000,000)
Distribution to owners	(417,905)
Change in net position before Special Item	(34,511,965)
Special Item	
Gain on the Sale of Preston Park	28,098,619
Change in net position	(6,413,346)
Total net position - July 1, 2015	6,413,346
Total net position - June 30, 2016	$ -

FORT ORD REUSE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund
	Preston Park
Cash Flows from Operating Activities:	
Cash received from tenants	$ 731,642
Cash paid to suppliers for goods and services	(248,845)
Cash paid to employees for services	(138,540)
Net cash provided (used) by operating activities	344,257
Cash Flows from Non-Capital and Related Financing Activities:	
Transfers out	(35,000,000)
Miscellaneous income	16,386
Distribution to owners	(417,905)
Net cash provided (used) by non-capital financing activities	(35,401,519)
Cash Flows from Capital and Related Financing Activities:	
Cash received from disposal of capital assets	3,782,188
Net cash provided (used) by capital and related financing activities	3,782,188
Cash Flows from Investing Activities:	
Interest revenue	619
Net cash provided (used) by investing activities	619
Special Items - Gain on the Sale of Preston Park	28,098,619
Net increase (decrease) in cash and cash equivalents	(3,175,836)
Cash and Cash Equivalents at Beginning of Fiscal Year	3,175,836
Cash and Cash Equivalents at End of Fiscal Year	$ -

(Continued)

FORT ORD REUSE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016
(Continued)

	Business-type Activities - Enterprise Fund
	Preston Park
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ 888,935
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	
(Increase) decrease in tenant receivables	5,932
(Increase) decrease in prepaid expenses	99,079
Increase (decrease) in accounts payable and accrued expenses	(113,819)
Increase (decrease) in tenant security deposits	(507,185)
Increase (decrease) in unearned revenue	(28,685)
Total adjustments	(544,678)
Net cash provided (used) by operating activities	$ 344,257

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2016

The notes to the statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Fort Ord Reuse Authority, as follows:

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Fort Ord Reuse Authority (Authority) was created under Title 7.85 of the California Government Code, Chapters 1-7, signed into law on May 10, 1994. The Authority was incorporated in the State of California as an instrumentality and is considered a quasi-governmental regional agency. The Authority has specific powers in State Law to prepare, adopt, finance and implement a plan for the future use and development of the territory formerly operated by the U.S. Army as the Fort Ord Military Reservation in Monterey County, California.

The Authority is governed by a 13-voting member board, which consists of various Monterey County's Board of Supervisors, City Mayors and/or Council Members from surrounding jurisdictions. The Authority Board has 12 non-voting ex-officio members. There are no component units, as defined in the Governmental Accounting Standards Board Statement (GASB) No. 14 that are included in the Authority's reporting entity.

The Authority receives funding from local, state and federal governmental sources and must comply with the accompanying requirements of these funding source entities. However, the Board is not included in any other governmental reporting entity as defined by the Governmental Accounting Standards Board pronouncement. The Board has the authority to levy taxes, the power to designate management and the ability to significantly influence operations and primary accountability for fiscal matters.

Title 7.85 of California Government Code specifies that its terms and provisions would become inoperative when the board determines that 80% of the territory of Fort Ord (that is designated for development or reuse in the plan prepared pursuant to the bill) has been developed or reused in a manner consistent with the plan, or June 30, 2014, whichever occurs first, and would be repealed on January 1, 2015.

In 2012, Assembly Bill (AB) 1614 was proposed to extend the Authority's statutory June 30, 2014 sunset date in order to permit the completion of remaining ongoing and fixed term obligations. The legislature and the Monterey Bay Region demonstrated broad support for AB 1614 and it was signed into law by Governor Brown in September 2012, effectively extending the Authority's sunset date to June 30, 2020. AB 1614 requires a report to the legislature in 2018 outlining the major sunset issues and their completion or post-sunset assignment.

B. Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

C. Basis of Presentation

The financial statement presentation, required by GASB Statements No. 34, 37, and 38 provides a comprehensive, entity-wide perspective of the Authority's assets and liabilities and expands the fund-group perspective previously required.

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 non-fiduciary activities of the Authority.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The Authority does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Authority meets the cash flow needs of proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses, as appropriate. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's accounts are organized into major funds and a proprietary fund as follows:

Major Governmental Funds

General fund is the general operating fund of the Authority and accounts for all revenue and expenditures of the Authority not encompassed within other funds. All general revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

In accordance with GASB Statement No. 34, paragraph 76, the Authority has elected to report its special revenue funds as major funds since these funds are believed to be important to financial statement users, as follows:

Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund. The Authority maintains four major special revenue funds:

1. Lease and Sale Proceeds Fund is used to account for revenue from the sale/lease of real estate on the former Fort Ord.

2. Developer Fees Fund is used to account for moneys received from fees levied on developers or other agencies as a condition of approving development on the former Fort Ord.

3. Pollution Legal Liability Fund is used to account for resources and payments made for principal and interest on long-term debt associated with the purchase of the 2005 Pollution Legal liability insurance.

4. Army Grant ET/ESCA Fund is used to account for revenue and projects funded by the U.S. Department of the Army for cleanup of munitions and explosives of concern.

Proprietary Fund

Preston Park Fund is used to account for the revenues and expenses of the 354 apartment units that are located at 682 Wahl Court, Marina, California.

E. Budgetary Data

The Authority is not required by state law to adopt annual budgets for the general and special revenue funds. An annual budget is however prepared, adopted by the Authority's Board, and included as a part of the general accounting record and to control expenses. Each budget is prepared and monitored by the budget controller at the revenue and expenditure function/object level.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- A proposed draft budget is submitted to the Board for the fiscal year commencing July 1.
- Once the budget is approved, it can only be amended by Board approval.
- Budget amendments are presented for Board consideration at their regular meetings.

F. Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

G. Cash and Investments

Cash and cash equivalents held by the Authority are reported as cash and investments. Funds can be expended at any time without prior notice or penalty. Investments are stated at fair value. Fair Value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquation sale.

H. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

I. Prepaid Items

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

J. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

K. Capital Assets

The land and buildings that have been rehabilitated by the Fort Ord Reuse Authority (Preston Park) are owned by the Authority and are not included as part of the building improvements. The building improvements included herein are those associated with the rehabilitation. Repairs occurring during the rehabilitation period were expensed unless they added additional life to the building improvements. As of May 5, 2014 (the last appraisal report before the fiscal year ended), the appraised value of the land and buildings was $70,000,000.

Equipment and furniture are stated on the actual cost basis. Capitalization level for capital assets is $500 per unit (including installation cost). Contributed capital assets are recorded at their estimated fair market value at the time received. There were no contributed capital assets during the fiscal year. Capital assets are depreciated over their estimated useful lives. In accordance with the option provided by Government Accounting Principles Generally Accepted in the United States of America, infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting are not recorded on the Statement of Net Position. Management has determined that the purpose of stewardship for capital expenses is satisfied without recording these assets. In addition, depreciation is not recorded on these capital assets. Depreciation is calculated using the straight-line method (with half-year conversion applied to the first year of acquisition) over the following estimated useful lives:

Leasehold improvements	5-20 years
Furniture and fixtures	2-7 years
Automobiles	5 years

In all cases, the infrastructure assets are owned by the Authority, as trustee, for a relatively short period of time.

During the reporting period, the Authority did not receive or transfer any real property during the fiscal year. Real property assets have been transferred from the United States Government under an Economic Development Conveyance (EDC) agreement dated June 23, 2000. These transfers included land, buildings, and infrastructure within the Cities of Marina, Del Rey Oaks, Monterey, Seaside and the County of Monterey. As of June 30, 2016, the Authority owned approximately 2,675 acres of historical Fort Ord land which included the following parcels:

- EDC properties transferred in connection with the Environmental Services Cooperative Agreement (ESCA) Grant.

Real property assets are not recorded on the Authority's books since the Authority, as trustee, is a short-term real property holding entity. The Authority transfers property to underlying jurisdictions for disposal/development, retaining 50% interest in any future sale or leasing proceeds from any of these properties transferred for private development or for public non-institutional purposes. The ESCA Grant properties are undergoing munitions and explosives of concern remediation with accompanying covenants restricting use of these properties ("CRUPS") and have limited value until the CRUPS are adjusted or lifted upon remediation completion regulatory concurrence.

Management has determined the estimated fiscal year-end value of all Authority owned properties to be in the range of $50 - $75 million, of which the Authority is entitled to a 50% share of leasing or land sales proceeds.

L. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

M. Net Position

GASB Statement No. 63 adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Position is divided into three captions under GASB Statement No. 63. These captions apply only to Net Position as determined at the government-wide level, and are described below:

- Net investment in capital assets - This represents the Authority's total investment in capital assets.
- Restricted net position - Restricted net position include resources that the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or regulatory agencies that direct usage, or other impositions by contract or adopted covenants.
- Unrestricted net position - Unrestricted net position represent resources derived from franchise fees and membership dues. These resources are used for transactions relating the general operations of the Authority, and may be used at the discretion of the governing board to meet current expenses for any purpose.

N. Long -Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, long-term debt is not reported.

O. Compensated Absences

The leave policy was revised in June 2011 to limit vacation accrual and include a vacation cash out provision. Authority employees are allowed to accrue up to 10 days of sick leave and up to 20 days of vacation per year, depending on length of employment. Employees are permitted to accrue an unlimited amount of sick leave; vacation accrual is limited to 240 hours. Employees may elect to cash out up to 80 hours of accrued vacation one time during a fiscal year, which makes up the due within one year ($50,870) of the Authority's liability for compensate absences. In the event of separation of employment, an employee is reimbursed for any unused vacation leave, and a portion of their unused sick leave can only cash out if have 5 years of services and the rest above the maximum 174 hours will be applied to CalPERS service credit. Reimbursement is based on the employee's regular salary rate at the date of termination or resignation. Vacation leave becomes vested immediately and sick leave becomes vested after 5 years of continuous service. Effective July 1, 2006, Authority management employees are provided 5 days of management leave per year. There is no cash pay-off for unused management leave time.

P. Fund Balance

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact (Prepaid Insurance).

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Authority Board is the highest level of decision-making responsibility. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Authority Board (ESCA grant and PLL insurance funds).

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the Authority Board or Executive Officer may assign amounts for specific purposes, 1) Community Facilities District (CFD)/Developer fees and land sale proceeds – assigned to the Authority Capital Improvement Program (CIP) program, 2) General Fund reserved $5.3 million for PERS pension liabilities and $4.7 million to be used for operating obligations through FORA 2020 sunset.

Unassigned – all other spendable amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority Board has provided otherwise in its commitment or assignment actions.

Q. Statement of Cash Flows

For the purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

R. Deferred Outflows/Inflows of Resources

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Authority has one item which qualifies for reporting in this category; refer to Note 5 for a detailed listing of the deferred outflows of resources the Authority has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority has one item which qualifies for reporting in this category; refer to Note 5 for a detailed list of the deferred inflows of revenues the Authority has recognized. On the fund financial statements, the Authority has deferred inflow of resources on the deferred revenue – local contributions and insurance reimbursements.

S. 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 Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported as fair value.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	$ 41,598,033
Total cash and investments	$ 41,598,033

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	$ 200
Deposits with financial institutions	453,533
Investments	41,144,300
Total cash and investments	$ 41,598,033

Fair Value Measurement

Cash and cash equivalents held by the Authority are reported as cash and investments. Funds can be expended at any time without prior notice or penalty. Investments are stated at fair value. Fair Value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquation sale.

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

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investments Type	Maximum Percentages	Maximum Maturity
U.S. Treasury Obligations	per approval	12 months
Other Obligations guaranteed by the U.S. Government	per approval	12 months
Obligations of U.S. Federal Agencies	per approval	12 months
Certificates of Deposit	per approval	12 months
Deposit Notes	per approval	12 months
Repurchase Obligations	per approval	30 days
Bankers Acceptances	per approval	12 months
Savings and Money Market Accounts	per approval	12 months
Money Market Mutual Funds	per approval	12 months
Local Agency Investment Fund (LAIF)	per approval	12 months

The Executive Officer shall consult with the Finance Committee Chair for any investment transaction exceeding 5% of the Authority's total portfolio; the Finance Committee will be routinely informed of these transactions.

<u>Disclosures Relating to Interest Rate Risk</u>

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. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		Maturity Date
Money market mutual funds	$ 40,884,207	Due on demand
Certificates of deposit	$ 260,093	12 months

The Authority has no investments that are highly sensitive to interest rate fluctuations.

<u>Disclosures Relating to Credit Risk</u>

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Money market mutual funds	$ 40,884,207	N/A	$ -	$ -	$ -	$ -	$ 40,884,207
Certificates of deposit	260,093						260,093
	$ 41,144,300		$ -	$ -	$ -	$ -	$ 41,144,300

<u>Concentration of Credit Risk</u>

The investment policy of the Authority contains limitations on the amount that can be invested in any type of investment or industry group beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than money market mutual funds and certificates of deposits) that represent 5% or more of total Authority investments.

<u>Custodial Credit Risk</u>

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

> The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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.

As of June 30, 2016, $269,827 of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Note 3 – Interfund Activity

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2015-2016 fiscal year are as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	$ 7,409,588	$ -
Lease and Sale Proceeds Special Revenue Fund	26,105,037	
Developer Fees Special Revenue Fund	1,485,375	
Major Proprietary Fund:		
Preston Park Enterprise Fund		35,000,000
Totals	$35,000,000	$35,000,000

Note 4 - Capital Assets

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

Governmental Activities

Capital assets, being depreciated:	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Equipment and furniture	$ 172,768	$ 10,269	$ (6,759)	$ 176,278
Less - accumulated depreciation	(140,828)	(21,030)	6,759	(155,099)
Total capital assets, net	$ 31,940	$ (10,761)	$ -	$ 21,179

Depreciation expense was $21,030 for the fiscal year ended June 30, 2016, and charged to the general government function.

Business-type Activities

Preston Park

Capital assets, being depreciated:	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Improvements	$ 7,786,256	$ -	$ (7,786,256)	$ -
Furniture and fixtures	436,608		(436,608)	
Automobile	46,706		(46,706)	
Less - accumulated depreciation	(4,487,382)		4,487,382	
Total capital assets, net	$ 3,782,188	$ -	$ (3,782,188)	$ -

Note 5 - Pension Plan

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) 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 Local Government 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 Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.10% to 2.50%	1.00% to 2.50%
Required employee contributions rates	7%	6.25%
Required employer contribution rates	14.888%	6.25%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS' Comprehensive Annual Financial Report (CAFR). The CalPERS' CAFR is available online at https://www.calpers.ca.gov/page/forms-publications.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense were as follows:

Contribution – employer $203,703

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

As of June 30, 2016, the Authority reported net pension liability for its proportionate share of the net pension liability was $1,484,295.

The Authority's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability 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 Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

	Miscellaneous
Proportion - June 30, 2014	0.059043%
Proportion - June 30, 2015	0.056470%
Change - Increase (Decrease)	-0.002573%

For the fiscal year ended June 30, 2016, the Authority recognized pension expense of $203,703. At June 30, 2016, the Authority 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
Difference between expected and actual experience	$ 13,056	$ -
Changes of assumptions	-	(123,521)
Changes of proportions	-	(25,646)
Net difference between projected and actual earnings on pension plan investments	-	(61,923)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	(8,385)
Authority contributions subsequent to the measurement date	223,235	-
	$ 236,291	$ (219,475)

$223,235 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 fiscal year ended 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:

Fiscal Year Ended June 30	Amount
2017	$ (69,557)
2018	(68,173)
2019	(53,209)
2020	(15,480)

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%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Potection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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 found on CalPERS' website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent 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 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on 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-estimated 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 expectation's as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits 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.

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 are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	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 Authority's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 2,533,236
Current Discount Rate	7.65%
Net Pension Liability	$ 1,484,295
1% Increase	8.65%
Net Pension Liability	$ 618,273

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

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

Note 6 - Deferred Compensation Plan

The Authority offers its full-time employees a deferred compensation plan in accordance with Internal Revenue Code §457. The plan permits the employee to defer until future years up to 25% of annual gross earnings not to exceed $18,000; this amount increases to $24,000 for employees 50 years and older. Assets are not available to participants for disbursement until termination, retirement, death, or an emergency.

The Authority does not fund the compensation deferred under the Plan except for $1,533 per month contributed on behalf of the Executive Officer per the employment agreement. The contributions are held in investments that are underwritten by ICMA Retirement Corporation. Periodic contributions are made through payroll deductions of the employees and all plan fees associated with the accounts are the responsibility of the individual employee.

The participants' accounts are not subject to claims of the Authority's creditors. The Authority has no liability for losses under the plan but does have the duty of due care that would be required of any ordinary prudent investor.

Note 7 - Long-Term Debt Obligations

Long-term debt activity for the fiscal year was comprised of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Net pension liability	$ 1,459,235	$ 240,143	$ 215,083	$ 1,484,295	$ -
OPEB	498,683	286,668	43,038	742,313	
Preston Park loan	17,817,383		17,817,383		
Compensated absences	136,905	869,564	838,907	167,562	50,870
Totals	$ 19,912,206	$ 1,396,375	$ 18,914,411	$ 2,394,170	$ 50,870

Note 8 - Loans Payable

Preston Park Loan
In March 2010, the Authority borrowed $19 million from Rabobank Inc. In June 2009, the Board of Directors authorized the new loan to 1) provide stimulus grant local matching funds and 2) retire certain existing debts (2002 Revenue Bonds and $9M Line of Credit).

The new loan has a fixed interest rate of 5.98% for five years and matured in June 2014. The monthly debt service (principal and interest) of $113,740 is being funded by the Authority's 50% share of Preston Park lease revenue.

In June 2014, the Authority reached the Loan Modification Agreement #1 with the RaboBank Inc. to extend the loan maturity date, with an interest rate of 5.98%. In December 2014, the Authority extended the loan, through Loan Modification Agreement #2, maturity date to June 15, 2015, LIBOR rate plus 3.5%. Due to the delay on completing the purchase and sales agreement, RaboBank Inc. approved Loan Modification Agreement #3 to extend the maturity date to September 15, 2015. On September 15, 2015, the Authority paid off the outstanding loan amount of $17,817,383.

Note 9 - Compensated Absences

The Authority's liability for accrued vacation and sick pay at June 30, 2016 was $167,562. Of this amount, the Authority's management estimates $50,870 will be due in next fiscal year.

Note 10 - Post Employment Benefits Other than Pensions

Plan Description
The Authority administers a single employer defined benefit healthcare plan (Plan).

The Authority provides post employment healthcare benefits to all qualified employees who met the Authority's Public Employees Retirement System (PERS) current plan requirements. For regular Authority employees hired prior to January 1, 2013, five years of full time continuous employment with the Authority is required. The employee must be at least 50 years of age and have participated in the PERS plan for at least five years for health care benefits. For regular Authority employees hired on or after January 1, 2013, five years of full time continuous employment with the Authority is required. The employee must be at least 52 years of age and have participated in the PERS plan for at least five years for health care benefits.

The Authority pays a fixed sum that is not to exceed 100% of the medical plan premium from the date of retirement for the life of the retired employee. Depending on the PERS payment plan chosen by the employees for spousal coverage after the death of an employee, the Authority would also cover the spouse for life under the same plan.

Funding Policy
The contribution requirement of plan members and the Authority are established and may be amended by the Authority. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Authority. In the fiscal year 2015 - 2016, the Authority contributed $43,038 to the Plan.

Annual OPEB and Net OPEB Obligation
The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation.

Annual required contribution	$ 286,539
Interest on net OPEB obligation	19,947
Adjustment to annual required contribution	(19,818)
Annual OPEB cost (expense)	286,668
Contributions made	(43,038)
Increase in net OPEB obligation (asset)	243,630
Net OPEB obligation - beginning of the fiscal year	498,683
Net OPEB obligation - end of the fiscal year	$ 742,313

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended 2014, 2015 and 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (asset)
6/30/2014	$ 126,380	10%	$ 228,256
6/30/2015	286,945	6%	498,683
6/30/2016	286,668	15%	742,313

Funded Status and Funding Progress
As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,828,071, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,828,071.

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 future employment, mortality, and the healthcare cost trend. 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.

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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2014, the actuarial cost method used is the Projected Unit Credit with service proration. The actuarial assumptions included a 4.0 percent investment rate of return with an annual healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years.

The method of determining the actuarial value of assets is not applicable. The UAAL is being amortized on a level dollar basis over thirty years.

Note 11 – Health Care Plan

During the fiscal year ending June 30, 2016, employees of the Authority were covered by a third party medical insurance plan, the California Public Employees Retirement System (CalPERS) Medical Benefits Program, and by the Principal Financial Group for dental, vision, and life insurance. The Authority contributes to the employee medical premium and to eligible dependents medical premiums up to $1,826 per month per family. In addition, employees receive monthly cash allowances of $145 per employee to be applied towards premiums of the optional dental, vision, and life insurance benefits under an Internal Revenue Code Section 125 Flexible Benefit Plan.

Note 12 - Commitments and Contingencies

A. Litigation
Various claims and lawsuits are pending against the Authority. Although the outcome of those claims and lawsuits are not presently determinable, in the opinion of the Authority Counsel the resolution of these matters are within the self-insured retention and are not likely to have a material adverse effect on the financial condition on the Authority.

Appropriate insurance policies protect the Authority from most potential litigation effects. In addition, the Authority requires indemnification and contract provisions with its vendors and contractors that also guard against, and redirect, litigation costs and potential impact to the Authority's assets. The Authority retains authority and special counsel to defend any such actions.

B. Grant Payments
The Authority participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, refunds may be required and the collectability of any related receivables may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies. Current year grant information is as follows:

1. Environmental Remediation Project
The $99.3 million federal grant was paid to the Authority in three phases: $40 million in FY 06-07, $30 million in FY 07-08, and $27.7 million in FY 08-09. The Army provided payments ahead of schedule and to secure a $1.6 million credit (the last payment received in December 2008). The grant paid for contracted remediation project expenditures through June 2016.

   o Unearned Revenue
   The Authority's share of unspent, unearned Army grant revenue at June 30, 2016 is classified as advance of earnings revenue and is recorded as unearned revenue, for financial statement purposes. It will be recognized as revenue when earned.

Note 13 - Property Sales and Lease Income

California Law requires that all net lease or property sale proceeds generated on the former U.S. Army Base are to be shared equally between the Authority and the governmental entity with jurisdiction over subject property. This state law is affirmed under contract implementation agreements between the Authority and its underlying jurisdictions. The Authority's share of property sale and lease income activity for the fiscal year was as follows:

Lease income	
Preston Park Housing	$ 417,905

The sale of Preston Park is reported as special item. See Note 17 for more details.

Note 14 - Contingent Receivables

Contingent receivables are those for which there is some uncertainty of the legal obligation but some prospect of a favorable settlement. Generally, a contingency involves some future determination, e.g., judgment or settlement.

1. **$50,457** - The City of Del Rey Oaks (DRO)
In 2002, DRO participated in a construction project funded by the EDA grant and local matching funds. On April 23, 2002, the DRO Council affirmed the City's commitment to provide the 25% local match or $50,457 to pave a portion of South Boundary Road within the DRO city limits. DRO never paid this obligation citing insufficient resources. The Authority reports this debt as a long-term receivable on its financial statements and intends to collect payment as a deduction from the future land sale proceeds of DRO real property. The amount of $50,457 is recorded as deferred revenue.

2. **$651,052** - The City of Del Rey Oaks (DRO)
In 2014, FORA loaned DRO $715,768 in funds to cover DRO's portion of PLL insurance during years of financial hardship. The original two-year term of July 1, 2013 through June 30, 2015 is extended for three years, through June 30, 2018. By November 30, 2014, in conjunction with September 12, 2014 sale of portion of DRO property on the former Fort Ord, DRO made a prorated payment of $162,806 (including 5% interest) against the $715,768 loan, which reduced the balance to $565,456. DRO agrees to repay the remaining balance of $565,456 on the loan and all accrued interest at a rate of 5% upon the sale of the remaining DRO property on the former Fort Ord or upon termination of the MOU, whichever occurs first. The Authority reports this debt as a long-term receivable on its financial statements and intends to collect payment as a deduction from the future land sale proceeds of DRO real property. The amount of $651,052 is recorded as deferred revenue.

3. **$4.1 million** – East Garrison Partners (EGP)
Monterey County (County) approved the EGP project in 2005, postponing land sale revenues to future years. A portion of this land sale revenue was due to the Authority under State law and the terms of the Authority/County 2001 Implementation Agreement. As a consequence, the Authority did not collect the deferred $4.1M in land sale revenue and issued debt of the same amount to fund its ongoing building removal responsibilities. EGP, County and FORA entered into a Memorandum of Understanding (MOU), which required EGP to: a) pay the Authority monthly interest payments on the $4.1M loan that the Authority acquired in lieu of the land sale proceeds and b) repay the $4.1M principal due in 2011 or upon termination of the MOU. In 2009, EGP defaulted on the project. A new developer, Union Community Partners (UCP) purchased the rights and property associated with the project and questions their responsibility for the principal repayments.

Note 15 - US Army Environmental Services Cooperative Agreement Grant

Removal of munitions and explosives of concern (MEC) by the U.S. Army at the former Fort Ord has been in progress since 1992. Several areas formerly used for military training at the former base have been cleared over the years, but approximately 3,340 acres still require specific MEC removal activities before they can be reused for key elements of the Fort Ord Base Reuse Plan. In the spring of 2005, the U.S. Army and Authority entered into negotiations to execute an Army funded Environmental Services Cooperative Agreement (ESCA) leading to the transfer of former Fort Ord 3,340 acres prior to regulatory environmental sign-off. In early 2007, the Army awarded the Authority $99.3 million to perform munitions cleanup on the ESCA parcels. The Authority also entered into an Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) and California Department of Toxic Substance Control (DTSC), defining conditions under which the Authority assumes responsibility for the Army remediation of the ESCA parcels. In order to complete the AOC defined work; the Authority entered into a Remediation Services Agreement (RSA) with Arcadis, Inc. to provide MEC remediation services and executed a Cost-Cap insurance policy for this remediation work through the American International Insurance Group (AIG).

The ESCA Remediation Program (RP) has been underway for approximately 9 years. The ESCA property was transferred to Authority ownership on May 8, 2009. The FY 2016 ESCA RP field work focused in the Parker Flats, future East Garrison and interim action ranges areas of the former Fort Ord. Approximately 2,600 acres of ESCA property remain in FORA's ownership as of June 30, 2016.

On December 17, 2008, the Authority received the fourth and final ESCA Grant fund payment of approximately $28.6 million. Per the AOC, the majority of these funds have been transferred to AIG for payment to LFR Inc. (now "ARCADIS" company) under the terms of the insurance policies and related agreements. The Authority's administrative costs and oversight responsibility, including third-party quality assurance work, and reimbursement to EPA and DTSC for their regulatory obligations, are also funded by the ESCA grant.

Note 16 - Office Lease

On July 2, 2009, the Authority entered into a lease agreement for office space, with occupancy to commence on the date that a certificate of occupancy for the premises is delivered to the Authority, and shall terminate on midnight of the last day of the fifty-seventh (57^{th}) month, thereafter. Monthly rent for the initial lease term, as determined by a current, independent appraisal, shall be one dollar seventy cents ($1.70) per square foot, per month, for a total of $988,000 over the 57 month period. The transaction is part of an exchange agreement whereby the Authority is exchanging land, with a value of $988,000, as determined by an independent appraisal, for rent and tenant improvements. The Authority is responsible for a pro-rata share of the common area maintenance. The office lease agreement is scheduled to terminate with the sunset provisions of the Authority.

Note 17 – Special Item

On September 15, 2015, the Authority sold their ownership of Preston Park to the City of Marina in the amount of $35,000,000. All assets from the Preston Park were transferred to the City of Marina. The gain on the sale was $28,098,619 was reported as a special item in the accompany statement of revenues, expenses and changes in net position.

Note 18 - Subsequent Events

Authority management has reviewed the results of operations for the period from June 30, 2016 through December 8, 2016, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Management, however, feels it is important to disclose the following information as it may affect the Authority's financial position as of June 30, 2016, and cause prior period adjustments in its financial statements, as follows:

- Several significant receivables are under collection by the Authority. As of December 8, 2016, the date the financial statements were available to be issued, the following significant receivables have not been collected:

  a. $50,457 from the City of Del Rey Oaks regarding matching funds for South-Boundary Road improvements. Owed since 2002.

  b. $651,052 from the City of Del Rey Oaks regarding unpaid premium for Pollution Legal Liability insurance. Owed since 2011.

  c. On October 10, 2016, the Authority paid down the CalPERS Unfunded Accrued Liability (UAL) in the amount of $400,000.

REQUIRED SUPPLEMENTARY INFORMATION

FORT ORD REUSE AUTHORITY

Budgetary Comparison Information

Budget and Actual - All Funds

For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Resources (Inflows)				
Membership dues	$ 261,000	$ 261,000	$ 261,000	$ -
Franchise fees	265,000	265,000	289,521	24,521
Property taxes	1,679,468	1,679,468	1,625,543	(53,925)
Federal grants	1,074,063	850,156	845,329	(4,827)
Developer fees	5,585,000	5,585,000	5,204,876	(380,124)
Lease/Rental income	45,000	45,000	466,240	421,240
Real estate sales	485,000	32,706,165		(32,706,165)
Investments/Interest earnings	270,000	110,000	129,959	19,959
Other revenue	3,413,000	1,085,000	181,447	(903,553)
Transfers in			41,709,588	41,709,588
Amounts available for appropriation	13,077,531	42,586,789	50,713,503	8,126,714
Charges to Appropriations (Outflows)				
Salaries and benefits	2,902,169	2,875,838	2,897,535	(21,697)
Supplies and services	225,700	231,200	187,565	43,635
Contractual services	1,938,947	1,838,947	1,635,068	203,879
Capital improvements	11,498,103	11,630,103	529,163	11,100,940
Debt service	67,500	17,984,924	17,984,924	
Insurance amortization			170,520	(170,520)
Transfers out			6,709,588	(6,709,588)
Total charges to appropriations	16,632,419	34,561,012	30,114,363	4,446,649
Surplus (Deficit)	$ (3,554,888)	$ 8,025,777	$ 20,599,140	$ 12,573,363

Schedule of Plan's Proportionate Share of Net Pension Liability
and Related Ratios as of Measurement Date

	Miscellaneous Plan Fiscal Year 2014-2015	Miscellaneous Plan Fiscal Year 2015-2016
Plan's proportion of the Net Pension Liability (Asset)	0.059043%	0.056470%
Plan's proportionate share of the Net Pension Liability (Asset)	$ 1,459,235	$ 1,484,295
Covered employee payroll	$ 1,438,161	$ 1,607,692
Plan's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered employee payroll	101.47%	92.32%
Plan's fiduciary net position	$ 5,759,729	$ 6,217,932
Plan's proportionate share of the Fiduciary Net Pension Liability (Asset) as a percentage of the Plan's Total Pension Liability	79.79%	80.73%

Schedule of Contributions

	Miscellaneous Plan Fiscal Year 2014-2015	Miscellaneous Plan Fiscal Year 2015-2016
Actuarially determined contribution	$ 203,402	$ 218,566
Contributions in relation to the actuarially determined contributions	(203,703)	(223,235)
Contributions deficiency (excess)	$ (301)	$ (4,669)
Covered employee payroll	$ 1,438,161	$ 1,607,692
Contributions as a percentage of covered employee payroll	14.16%	13.89%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65% net of pension plan investment and administrative expenses; includes inflation
Retirement age	59 years - Miscellaneous plan
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Soceity of Actuaries.

FORT ORD REUSE AUTHORITY
Post Employment Benefit Plan Other than Pensions Trend Information
For the Fiscal Year Ended June 30, 2016

Schedule of Funding Progress for
Retiree Health Plan

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as of % of Payroll
7/1/2012	$ 986,915	$ -	$ 986,915	0%	$ 1,274,140	77%
7/1/2014	$ 1,828,071	$ -	$ 1,828,071	0%	$ 1,294,722	141%

FORT ORD REUSE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2016

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Fort Ord Reuse Authority
Marina, 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, business type activities, and each major fund of the Fort Ord Reuse Authority (Authority) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated XX, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Authority in a separate letter dated XX, 2016.

Purpose of this Report

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
XX, 2016

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Fort Ord Reuse Authority
Marina, California

Report on Compliance for Each Major Federal Program

We have audited the Fort Ord Reuse Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the fiscal year ended June 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Authority's major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2016.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
XX, 2016

FORT ORD REUSE AUTHORITY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Description and Program Title	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF THE ARMY		
Direct Program:		
U.S. Army Corp of Engineers, HTRW Center of Expertise, Project grant for Environmental Services Cooperative Agreement		
Project grant for clean up of munitions and explosives of concern Agreement No. W9128F-07-2-0162	12.000	$ 845,329
Total Expenditures of Federal Awards		$ 845,329

See accompanying notes to the schedule of expenditures of federal awards

FORD ORD REUSE AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Fort Ord Reuse Authority (Authority) presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Authority's basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. All federal grants were direct programs.

3. There were no subrecipients of federal awards.

4. The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information and the Office of Management and Budget's CFDA.

NOTE 3 INDIRECT COST RATES

The Authority has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

FORD ORD REUSE AUTHORITY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified – governmental activities and governmental funds** **Modified – business-type activities and proprietary fund**

Internal control over financial reporting:

Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	______	Yes	X	None Reported

Type of auditor's report issued on compliance for major programs:	**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a)	______	Yes	X	No

Identification of major programs:

CFDA Number(s)	**Name of Federal Program Cluster**
12.000	U.S. Army Corp of Engineers, HTRW Center of Expertise, Project Grant for Environmental Services Cooperative Agreement

Dollar threshold used to distinguish between Type A And Type B programs:	**$750,000**

Auditee qualified as low-risk auditee:	X	Yes	______	No

Section II – Findings – Financial Statement Audit

None

Section III – Findings and Questioned Costs – Major Federal Awards Program Audit

None

FORT ORD REUSE AUTHORITY
Single Audit Report
Status of Prior Fiscal Year Findings
For the Fiscal Year Ended June 30, 2016

Prior Fiscal Year's Findings – Financial Statement Audit

Material Weakness

2015-01 Finding – Deficiencies in internal control over Preston Park (Third Party Management Company):

During our audit, we noted the following issues:

1. There were many capital asset additions replacing older appliances and other equipment. However, we did not see any older assets removed from the asset listing. Thus, these assets may still be depreciating, if not already fully depreciated.
2. Lack of reconciliations between physical assets and the capital asset listings/depreciation register.

Effect:
Preston Park does not have a current and accurate inventory of capital assets, which could result in overstatement or understatement of capital asset valuation.

Recommendation:
We recommend that Preston Park implement procedures to accurately record assets and reconcile assets on a periodic basis.

Status:
Not Applicable – Preston Park was sold on September 15, 2015

Significant Deficiency

2015-02 Finding – Compliance with Low income eligibility recertifications are not performed timely for Preston Park (Third Party Management Company):

During the fiscal year, 3 out of 10 recertifications of the low income eligibility examined were not performed timely.

Effect:
Preston Park is not in compliance with laws, regulations, contract, or grant agreements regarding low income housing eligibility requirements covered under Title 26 CFR 1-42.5.

Recommendation:
We recommend that Preston Park implement procedures to ensure compliance with recertification requirements.

Status:
Not Applicable – Preston Park was sold on September 15, 2015

Prior Fiscal Year's Findings – Major Federal Award Programs Audit

None