Mountains Recreation and Conservation Authority

Los Angeles, California

Independent Auditors' Report and Basic Financial Statements

For the year ended June 30, 2013

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

Mountains Recreation and Conservation Authority
Basic Financial Statements
For the year ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Mountains Recreation and Conservation Authority
Los Angeles, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, general fund, and the aggregate remaining fund information of the Mountains Recreation and Conservation Authority (the "Authority"), as of and for the year ended June 30, 2013, 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 of 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, general fund, and the aggregate remaining fund information of the Authority as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and Schedule of Funding Progress on pages 44 through 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 Statement of Changes in Assets and Liabilities of the Fiduciary Fund Financial Statements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Changes in Assets and Liabilities of the Fiduciary Fund Financial Statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Changes in Assets and Liabilities of the Fiduciary Fund Financial Statements is fairly stated in all material respects in relation to the basic 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 April 23, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Pun & McGeady LLP

Irvine, California
April 23, 2014

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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*

Independent Auditors' Report

To the Board of Directors
of the Mountains Recreation and Conservation Authority
Los Angeles, 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, each major fund, and the aggregate remaining fund information of the Mountains Recreation and Conservation Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 23, 2014.

Internal Control Over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pun & McGeady LLP

Irvine, California
April 23, 2014

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Mountains Recreation and Conservation Authority
Statement of Net Position
June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	$ 3,168,172
Restricted cash	177,303
Accounts receivable	6,085,161
Interest receivable	1,742
Prepaid items	193,735
Due from fiduciary funds	266,811
Capital assets:	
Nondepreciable	315,868,024
Depreciable, net	33,789,715
Total capital assets, net	349,657,739
Total assets	359,550,663
LIABILITIES	
Current liabilities:	
Accounts payable	879,636
Accrued expenses	217,110
Retention payable	349,707
Line of credit payable	1,061,184
Unearned revenue	986,383
Deposits	341,550
Capital leases - due within one year	113,330
Compensated absences - due within one year	125,000
Noncurrent liabilities:	
Capital leases - due in more than one year	68,141
Compensated absences - due in more than one year	510,602
Total liabilities	4,652,643
NET POSITION	
Net investment in capital assets	348,415,084
Restricted:	
Mitigation projects	5,222,348
Endowments	417,625
Donations	88,500
Unrestricted	754,463
Total net position	$ 354,898,020

See accompanying Notes to the Basic Financial Statements.

Mountains Recreation and Conservation Authority
Statement of Activities
For the Year Ended June 30, 2013

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Parks and recreation	$ 15,070,291	$ 5,636,421	$ 7,594,879	$ 8,453,142	$ 6,614,151
Total governmental activities	$ 15,070,291	$ 5,636,421	$ 7,594,879	$ 8,453,142	6,614,151
		General Revenues:			
		Investment earnings			10,163
		Other			200,916
		Total general revenues			211,079
		Changes in net position			6,825,230
		Net position:			
		Beginning of year			348,072,790
		End of year			$ 354,898,020

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Mountains Recreation and Conservation Authority
Balance Sheet
Governmental Fund
June 30, 2013

		General Fund
ASSETS		
Cash and investments	$	3,168,172
Restricted cash		177,303
Accounts receivable		6,085,161
Interest receivable		1,742
Due from fiduciary funds		266,811
Prepaid items		193,735
Total assets	$	9,892,924
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	879,636
Accrued liabilities		217,110
Retention payable		349,707
Deposits payable		341,550
Deferred revenue		986,383
Line of credit payable		1,061,184
Total liabilities		3,835,570
Fund Balances:		
Nonspendable		193,735
Restricted:		
Mitigation projects		5,222,348
Endowments		417,625
Donations		88,500
Assigned		73,059
Unassigned		62,087
Total fund balances		6,057,354
Total liabilities and fund balances	$	9,892,924

See accompanying Notes to the Basic Financial Statements.

Mountains Recreation and Conservation Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Governmental Fund		$ 6,057,354

Amounts reported for governmental activities in the Government-Wide Statement of Net Position were different because:

In governmental fund, only current assets were reported. In the statement of net position, all assets were reported, including capital assets and accumulated depreciation.

Nondepreciable capital assets	$ 315,868,024	
Depreciable capital assets, net	33,789,715	349,657,739

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund.

Capital leases - due within one year		(113,330)
Capital leases - due in more than one year		(68,141)
Compensated absences - due within one year		(125,000)
Compensated absences - due in more than one year		(510,602)
Net position of governmental activities		$ 354,898,020

See accompanying Notes to the Basic Financial Statements.

Mountains Recreation and Conservation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2013

	General Fund
REVENUES:	
Intergovernmental revenues	$ 14,719,474
Fees, permits, and leases	5,127,530
Assessment districts reimbursements	508,891
Contributions	1,328,547
Interest revenue	10,163
Other	200,916
Total revenues	21,895,521
EXPENDITURES:	
Current:	
Parks and recreation:	
Salaries and employee benefits	7,817,349
Services and supplies	5,794,789
Grants	372,595
Capital outlay	8,023,544
Debt service:	
Principal	163,779
Interest	47,775
Total expenditures	22,219,831
REVENUES OVER (UNDER) EXPENDITURES	(324,310)
OTHER FINANCING SOURCES:	
Proceeds from sale of assets	40,598
Total other financing sources	40,598
Net change in fund balances	(283,712)
FUND BALANCES:	
Beginning of year	6,341,066
End of year	$ 6,057,354

See accompanying Notes to the Basic Financial Statements.

Mountains Recreation and Conservation Authority
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - Governmental Fund:	$ (283,712)
Amounts reported for governmental activities in the Statement of Activities were different because:	
Acquisition of capital assets was reported as expenditures in the governmental fund. However, in the government-wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:	
Capital outlay	8,023,544
Depreciation expense on capital assets was reported in the government-wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental fund.	(1,091,454)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt principal consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position.	
Principal payment on capital leases	163,779
Compensated absences were reported in the government-wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental fund.	13,073
Change in net position of governmental activities	$ 6,825,230

See accompanying Notes to the Basic Financial Statements.

FIDUCIARY FUND
FINANCIAL STATEMENTS

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Mountains Recreation and Conservation Authority
Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

		Agency Funds
ASSETS		
Cash and investments	$	962,978
Cash and investments with fiscal agent		6,811,891
Assessments receivable		99,331
Total assets	$	7,874,200
LIABILITIES		
Accounts payable	$	43,993
Due to General Fund		266,811
Due to bondholders		7,563,396
Total liabilities	$	7,874,200

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. Organization

Mountains Recreation and Conservation Authority (the "Authority") was established on June 27, 1985, under a joint powers agreement entered into by Conejo Recreation and Park District (the "District") and Santa Monica Mountains Conservancy for and with the purpose of acquiring, developing, and conserving additional park and green space land with special emphasis on water-oriented recreation and conservation projects within both the Santa Monica Mountains Zone and the District's boundaries. On August 3, 1987, Rancho Simi Recreation and Park District became a party to the joint powers agreement and a member of the Authority.

B. Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Authority. Fiduciary Activities of the Authority are not included in these statements.

In 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The Government-Wide Financial Statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions reported as program revenues for the Authority are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The Authority has presented all major funds that met those qualifications.

The governmental fund is accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority are grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences between the "economic resources" measurement focus and the "current financial resources" measurement focus.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position. The Authority's fiduciary funds represent agency funds. Fiduciary fund types are accounted for according to the nature of the fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using accrual basis accounting.

Major Fund

The Authority reported the following major governmental fund in the accompanying financial statements:

<u>*General Fund*</u> **-** The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

Fiduciary Funds

<u>*Agency Funds*</u> – This fund accounts for assets held by the Authority as an agent. The Authority maintains four agency funds: Benefit Assessment District One Fund, Benefit Assessment District Two Fund, Community Facilities District No. 1, and Community Facilities District No. 2 Fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents, and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The Authority participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* ("LAIF") which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

E. Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $3,000 and estimated useful life in excess of two years.

The Authority depreciates capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

	Useful Lives Years	Capitalization Threshold
Equipment	3-10	$ 3,000
Improvements	5-20	3,000
Structures	50	3,000

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

Fund Financial Statements - The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.

G. Compensated Absences

The Authority accrues accumulated vacation and annual leave and expenses the cost as paid in the General Fund. It is the policy of the Authority to pay all accumulated vacation and annual leave when an employee retires or is otherwise terminated.

Sick leave costs are expensed as paid in the General Fund. Although employees have no vested rights in their accumulated unpaid sick leave upon retirement or termination, 50% of accrued sick leave is converted to PERS service credit.

Vacation and annual leave pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

H. Unearned and Deferred Revenues

Government-Wide Financial Statements - Unearned revenue is recognized for transactions for which revenue has not yet been earned. Unearned revenue includes program and grant monies received in advance and prepaid charges for services.

Fund Financial Statements - Deferred revenue represents money received during the current or previous years that has not been earned or is not considered available to finance expenditures of the current period.

I. Net Position and Fund Balances

Government-Wide Financial Statements

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

Net investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of the capital assets.

Restricted – This component of net position is the amount restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Net Position and Fund Balances (Continued)

Use of Restricted and Unrestricted Net Position

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Authority's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – This amount indicates that portion of the fund balance which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This amount indicates that portion of fund balance which has been restricted to specific purposes by external parties, constitutional provisions, or enabling legislation.

Committed – This amount indicates that portion of fund balance which can only be used for specific purposes pursuant to formal action of the Authority's Board of Directors and can only be rescinded by the same formal action.

Assigned – This amount indicates that portion of fund balance which is constrained by the Authority's intent to be used for a specific purpose, but is neither restricted nor committed. The Financial Officer was authorized by the Board of Directors to determine assigned fund balances.

Unassigned – This amount indicates the residual portion of fund balances.

Use of Restricted and Unrestricted Fund Balances

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Authority's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes for which unrestricted fund balances are available, the Authority uses the unrestricted resources in the following order: committed, assigned, and unassigned.

J. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Accounting Changes

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements ("SCA")*. The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the Authority's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the Authority's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the Authority's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the Authority was limited to renaming of "Net Assets" to "Net Position".

Note 2 – Cash and Investments

The Authority pools idle cash from all funds for the purpose of increasing income through investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund. The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Position	Fiduciary Funds	
	Governmental Activities	Statement of Net Position	Total
Cash and investments	$ 3,168,172	$ 962,978	$ 4,131,150
Restricted cash	177,303	-	177,303
Cash and investments with fiscal agent	-	6,811,891	6,811,891
Total cash and investments	$ 3,345,475	$ 7,774,869	$ 11,120,344

Note 2 – Cash and Investments (Continued)

Cash and investments were comprised of the following at June 30, 2013:

Cash and cash equivalents:	
Demand deposits	$ 2,002,221
Petty cash	1,019
Cash held in escrow	177,303
Total cash and cash equivalents	2,180,543
Investments:	
Local Agency Investment Fund	2,127,910
Investments held by fiscal agent:	
Money Market Mutual Fund	5,177,977
Guaranteed Investment Contracts	1,633,914
Total investments	8,939,801
Total cash and investments	$ 11,120,344

Cash Deposits

The carrying amounts of the Authority's demand deposits were $2,002,221 at June 30, 2013. Bank balances at June 30, 2013 were $2,405,520, which were fully insured or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this matter shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

The market value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority waived collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC").

Investments Authorized by the California Government Code

Under the provisions of the Authority's investment policy, and in accordance with California Government Code 53601, the Authority is authorized to invest in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	2 years	NONE	NONE
Ventura County Investment Pool	2 years	NONE	NONE

Note 2 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Guaranteed Investment Contracts	N/A	None	None
Money Market Mutual Funds	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

	Remaining Maturity (in Months)		
Investment Type	Fair Value	12 Months Or Less	5 Years Or More
Local Agency Investment Fund	$ 2,127,910	$ 2,127,910	$ -
Investments held by fiscal agent:			
Money Market Mutual Fund	5,177,977	5,177,977	-
Guaranteed Investment Contracts	1,633,914	-	1,633,914
Total	$ 8,939,801	$ 7,305,887	$ 1,633,914

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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.

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End AAA	A	Not Rated
Local Agency Investment Fund	$ 2,127,910	N/A	$ -	$ -	$ 2,127,910
Investment held by fiscal agent:					
Money Market Mutual Fund	5,177,977	N/A	5,177,977	-	-
Guaranteed Investment Contracts	1,633,914	N/A	-	1,633,914	-
Total	$ 8,939,801		$ 5,177,977	$ 1,633,914	$ 2,127,910

Concentration of Credit Risk

The California Government Code states that not more than 10% of the portfolio shall be invested in any one entity or any one instrument to protect the Authority from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and investment pools (LAIF and County). In addition, purchases of commercial paper from U.S. corporations must not exceed 10% of the value of the portfolio at any time and single issuer holdings to no more than 10 percent per issuer.

Since investment of debt proceeds held by bond trustees are governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy, they are excluded from the 10% portfolio calculation.

The following is a chart of the Authority's investment portfolio for investments subjected to the regulation of California Government Code:

Investments	**Amount Invested**	**Percentage of Investments**
Investments:		
Local Agency Investment Fund	$ 2,127,910	100.00%
Total investments	$ 2,127,910	100.00%

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit 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 the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 2 – Cash and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Los Angeles County Investment Pool).

Investment in State Investment Pool

The Authority is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2013, the Authority had $2,127,910 invested in LAIF. The Authority valued its investments in LAIF as of June 30, 2013 by multiplying the account balance by a fair value factor determined by LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value resulting in a factor of 1.000273207.

The Authority's investments with LAIF at June 30, 2013, included 1.96% of the pooled funds invested in structured notes and asset-backed securities. These investments included the following:

> *Structured Notes:* debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> *Asset-Backed Securities:* generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statutes.

Note 3 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Balances at July 1, 2012	Additions	Deletions	Balances at June 30, 2013
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 300,025,967	$ 5,669,936	$ -	$ 305,695,903
Construction in progress	7,689,953	2,303,168	-	9,993,121
Art collections	179,000	-	-	179,000
Total nondepreciable capital assets	307,894,920	7,973,104	-	315,868,024
Depreciable capital assets:				
Building and improvements	37,074,508	-	-	37,074,508
Vehicles	2,968,985	35,000	(232,298)	2,771,687
Equipment	896,711	15,440	-	912,151
Total depreciable capital assets	40,940,204	50,440	(232,298)	40,758,346
Less accumulated depreciation:				
Accumulated depreciation	(6,109,475)	(1,091,454)	232,298	(6,968,631)
Net depreciable capital assets	34,830,729	(1,041,014)	-	33,789,715
Total capital assets, net	$ 342,725,649	$ 6,932,090	$ -	$ 349,657,739

Note 4 – Line of Credit Payable

On August 10, 2006, the Authority obtained a $1,000,000 operating line of credit and a $3,000,000 capital line of credit from Zions First National Bank. The line of credit was amended on August 9, 2009 and draws on the lines were amended to accrue interest at the rate of 130% and 90% of the Prime Rate, respectively. The interest rate is reset at the beginning of each calendar month. The balance outstanding at June 30, 2013 was $1,061,184, which was borrowed for construction costs of various projects. The interest rates at June 30, 2013 were 4.225% and 2.925% for the $1,000,000 and $3,000,000 lines of credit, respectively. The lines of credit are secured by Authority owned property.

Note 5 - Endowments

The Authority receives endowments from developers who contribute funds to the Authority 1) as a condition to receiving development permits from agencies such as the Army Corps of Engineers or the California Department of Fish and Game and 2) as donations to the Authority for maintenance of specific parcel of land donated to the Authority by the developers. When the developers develop land in areas that impact the Los Angeles River watershed, the developers pay restoration and enhancement fees to the Authority to restore another parcel of land to suitable riparian habitat. Acreage to be restored is based on ratio of type and severity of habitat disturbed. This process is referred to as the mitigation program. The mitigation funds are restricted fund balances as the fund is restricted pursuant to memorandum of agreement between the Authority, the developers, and the permit agencies for mitigation projects only. In conjunction with the mitigation program, the developers may be required to pay endowments for maintenance of the restored land. These endowments are also restricted pursuant to the same memorandum of agreement. The Authority plans to hold the principal of the endowments in perpetuity and use the interest earned to finance the maintenance of the restored land.

Endowments with accrued interest consisted of the following at June 30, 2013:

Tierra Rejada	$ 132,633
Fornaldes	28,311
Northwest Homes	56,873
Thompson Land	27,783
Westlake Village	6,730
SunCal	12,769
Beezer	64,324
Save Our Sherman Oaks	15,198
Pardee/Violin	50,368
Forest Lawn II	7,584
Veteran Holdings	7,585
Glendale Power & Water	7,467
Total	$ 417,625

Note 6 – Long-Term Debt

The following is a summary of long-term debt transactions for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year	Due in more than One Year
Capital leases	$ 345,250	$ -	$ (163,779)	$ 181,471	$ 113,330	$ 68,141
Compensated absences	648,675	375,000	(388,073)	635,602	125,000	510,602
Total	$ 993,925	$ 375,000	$ (551,852)	$ 817,073	$ 238,330	$ 578,743

Note 6 – Long-Term Debt (Continued)

A. Capital Leases

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year	Due in more than One Year
Ford Motor Credit - 7116409	$ 98,853	$ -	$ (57,044)	$ 41,809	$ 41,809	$ -
Ford Motor Credit - 7116410	33,763	-	(17,780)	15,983	15,983	-
GE Government Finance No. 1	24,532	-	(24,532)	-	-	-
GE Government Finance No. 2	1,668	-	(1,668)	-	-	-
Key Government Finance	17,751	-	(13,416)	4,335	4,335	-
Zions First National Bank - 9001	88,195	-	(34,092)	54,103	35,662	18,441
Zions First National Bank - 9002	80,488	-	(15,247)	65,241	15,541	49,700
Total	$ 345,250	$ -	$ (163,779)	$ 181,471	$ 113,330	$ 68,141

Ford Motor Credit– Lease #7116409

The Authority entered into a lease agreement with Ford Motor Credit Company for ten vehicles during fiscal year ended June 30, 2009. The lease has been classified as a capital lease obligation. The principal amount financed was $246,228 with interest rate of 6.3% per year. Accumulated depreciation for the vehicles was $205,185 at June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2014	$ 41,809	$ 1,107	$ 42,916
Total	$ 41,809	$ 1,107	$ 42,916

Ford Motor Credit - Lease #7116410

The Authority entered into a lease agreement with Ford Motor Credit Company for four vehicles during fiscal year ended June 30, 2010. The lease has been classified as a capital lease obligation. The principal amount financed was $77,485 with interest rate at 6.3% per year. Accumulated depreciation for the vehicles was $61,648 at June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2014	$ 15,983	$ 509	$ 16,492
Total	$ 15,983	$ 509	$ 16,492

Note 6 – Long-Term Debt (Continued)

A. Capital Leases (Continued)

GE Government Finance No. 1

The Authority entered into a lease agreement with GE Government Finance, Inc. for two vehicles during fiscal year ended June 30, 2008. The lease has been classified as a capital lease obligation. The principal amount financed was $102,706 with interest rate of 4.98% per year. Accumulated depreciation for the vehicles was $102,600 at June 30, 2013. The lease was paid off in fiscal year ended June 30, 2013.

GE Government Finance No. 2

The Authority entered into a lease agreement with GE Government Finance, Inc. for one communication equipment during fiscal year ended June 30, 2009. The lease has been classified as a capital lease obligation. The principal amount financed was $7,297 with interest rate at 5.45% per year. Accumulated depreciation for the equipment was $5,506 at June 30, 2013. The lease was paid off in fiscal year ended June 30, 2013

Key Government Finance

The Authority entered into a lease agreement with Key Government Finance, Inc. for one vehicle during fiscal year ended June 30, 2009. The lease has been classified as a capital lease obligation. The principal amount financed was $55,590 with interest rate at 6.95% per year. Accumulated depreciation for the vehicle was $50,957 at June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2014	$ 4,335	$ 63	$ 4,398
Total	$ 4,335	$ 63	$ 4,398

Zions First National Bank – Lease #9001

The Authority entered into a lease agreement with Zions First National Bank for nine vehicles during fiscal year ended June 30, 2010. The lease has been classified as a capital lease obligation. The principal amount financed was $167,007 with interest rate at 4.55% per year. Accumulated depreciation for the vehicles was $125,255 at June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2014	$ 35,662	$ 2,060	$ 37,722
2015	18,441	420	18,861
Total	$ 54,103	$ 2,480	$ 56,583

Note 6 – Long-Term Debt (Continued)

A. Capital Leases (Continued)

Zions First National Bank – Lease #9002

The Authority entered into a lease agreement with Zions First National Bank for two vehicles during fiscal year ended June 30, 2012. The lease has been classified as a capital lease obligation. The principal amount financed was $80,488 with interest rate at 3.20% per year. Accumulated depreciation for the vehicles was $20,122 at June 30, 2013.

Year Ending June 30,	Principal	Interest	Total
2014	$ 15,541	$ 1,965	$ 17,506
2015	16,043	1,463	17,506
2016	16,561	945	17,506
2017	17,096	411	17,507
Total	$ 65,241	$ 4,784	$ 70,025

B. Compensated Absences

The Authority accrues accumulated vacation leave and then expenses the cost as paid in the General Fund. It is the policy of the Authority to pay all accumulated vacation leave when an employee retires or is otherwise terminated.

Sick leave costs are expensed as paid in the General Fund. Authority employees have no vested rights in accumulated unpaid sick leave upon retirement or termination.

The estimated liability for compensated absences $635,602 at June 30, 2013.

Note 7 – Retirement Plan

Plan Description

The Authority contributes to the California Public Employees Retirement System ("PERS"). The miscellaneous employees of the Authority are part of an agent multiple-employer defined benefit pension plan. Miscellaneous employees are public employees who are not member of local police, local fire, other local safety, and school police. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Authority ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P Street, Sacramento, CA 95814.

Note 7 – Retirement Plan (Continued)

Funding Policy

Participants are required to contribute 7% of their annual covered salary for miscellaneous employees. The Authority makes the contributions required of Authority employees on their behalf. For the fiscal year ended June 30, 2013, the Authority's contribution was 8.745% for miscellaneous employees. The Public Employee Pension Reform Act of 2013 ("PEPRA") was enacted in January 2013 and requires PEPRA members to contribute 6.5% of a miscellaneous members annual reportable compensation. The Authority's contribution rate for PEPRA employees is 6.5% for miscellaneous employees. The contribution requirements of plan members and the Authority are established and may be amended by PERS.

Annual Pension Costs

The Authority's annual pension cost of $407,496 was equal to the Authority's required and actual contribution. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% depending upon entry age, and (c) 3.00% for inflation compounded annually. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010 was 7 years.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 367,925	100.0%	$ -
2012	418,519	100.0%	-
2013	407,496	100.0%	-

Funding Status

The Authority's retirement plan is a part of the CalPERS risk pool for cities and other government entities that have fewer than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the Authority's employees is no longer available or disclosed.

Note 8 – Contingencies and Commitments

On April 1, 1999, the City of Los Angeles loaned the Authority $1,305,385 for the purchase of 6.8 acres in the Lawry's California Center. The loan proceeds were used to transform the property into and operate a "River Center", develop and maintain a 2.8 acre park with an adjoining parking lot, and preserve the existing gardens and buildings at the site. The loan will be repaid over a term of fifteen years at an annual rate of 8.47%. The payments will be made to the City of Los Angeles on a monthly basis. The collateral for the City of Los Angeles is a deed of trust in first lien position recorded against the 2.8 acre parcel of the Authority. In the agreement, if sales tax generated from the Center is adequate to repay the debt of the Authority, then the Authority will not be required to make their monthly payments. In the current fiscal year, the Authority was not required to service the debt because the sales tax generated was sufficient to cover the debt service. If the sales tax revenue is not sufficient to cover the debt, the Authority is liable for the shortfall. As of June 30, 2013, the principal balance outstanding on the loan totaled $248,809.

Lawsuits

The Authority is a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the Authority's financial position.

As of June 30, 2013, in the opinion of Authority management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Authority.

Federal and State Grant Programs

The Authority has received Federal and State grants for specific purposes that are subject to review and audit by the granting agencies. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

Construction Projects

The Authority has several outstanding or planned construction projects as of June 30, 2013. These projects are evidenced by contractual commitments with contractors that total to $2,933,277.

Note 9 – Debt Issued Without Government Commitment – Conduit Debt

Assessment District No. 2004-01

In March 2004, the Authority issued $14,805,000 of Assessment District No. 2004-01 Limited Obligation Improvement Bonds, Series 2004 (the "Bonds"). The Bonds were issued to finance costs for acquiring and maintaining certain open space lands, hillsides, view sheds and water sheds, riparian corridors, wildlife corridors, parklands, and brush clearing within the Assessment District, establish the Reserve Fund, and to pay the cost of issuing the Bonds.

The Authority is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings for the benefit of the bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded in the Authority's basic financial statements. The principal balance outstanding at June 30, 2013 is $11,605,000.

Note 9 – Debt Issued Without Government Commitment – Conduit Debt (Continued)

Assessment District No. 2004-02

In March 2004, the Authority issued $13,165,000 of Assessment District No, 2004-02, Limited Obligation Improvement Bond Series 2004 (the "Bonds"). The Bonds were issued to finance costs for acquiring and maintaining certain open space lands, hillsides, view sheds and water sheds, riparian corridors, wildlife corridors, parklands, and brush clearing within the Assessment District, establish the Reserve Fund, and to pay the cost of issuing the Bonds.

The Authority is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings for the benefit of the bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded in the Authority's basic financial statements. The principal balance outstanding at June 30, 2013 is $10,340,000.

Note 10 – Other Required Disclosure

Excess of Expenditures over Appropriations

The General Fund expenditures were over the appropriations for the parks and recreation function by $1,499,733. The primary reasons for the excess expenditures were as follows: there was an increase in the fire department hiring on part-time, seasonal staff to assist in fighting fires during the fiscal year; substantial legal fees were incurred on various cases; and payments made for the Washington Street Elementary Park construction that were originally budgeted as a subcontractor expense.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Note 1 – Budgets and Budgetary Accounting

The Authority adopts a preliminary annual budget before July 1 and if necessary, a final budget before August 31. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various Authority departments.

The Board of Directors may amend the budget by motion during each fiscal year. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The original and revised budgets are presented for the General Fund in the financial statements. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the object level.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Operating lease contracts entered into by the Authority are subject to annual review by the Board of Directors; hence, they legally are one year contracts with an option for renewal for another fiscal year.

Note 1 – Budgets and Budgetary Accounting (Continued)

Budgetary Comparison Schedule - General Fund

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	$ 36,774,000	$ 36,774,000	$ 14,719,474	$ (22,054,526)
Fees, permits, and leases	4,445,000	4,445,000	5,127,530	682,530
Assessment districts reimbursements	450,000	450,000	508,891	58,891
Contributions	1,629,000	1,629,000	1,328,547	(300,453)
Interest	-	-	10,163	10,163
Other	114,000	114,000	200,916	86,916
Total revenues	43,412,000	43,412,000	21,895,521	(21,516,479)
EXPENDITURES:				
Current:				
Parks and recreation:				
Salaries and benefits	7,334,565	7,334,565	7,817,349	(482,784)
Supplies and services	4,850,435	4,850,435	5,794,789	(944,354)
Grants	300,000	300,000	372,595	(72,595)
Capital outlay	30,737,058	30,737,058	8,023,544	22,713,514
Debt service:				
Principal	159,942	159,942	163,779	(3,837)
Interest	30,000	30,000	47,775	(17,775)
Total expenditures	43,412,000	43,412,000	22,219,831	21,192,169
REVENUES OVER (UNDER) EXPENDITURES	-	-	(324,310)	(324,310)
OTHER FINANCING SOURCES:				
Proceeds from sale of assets	-	-	40,598	40,598
Total other financing sources	-	-	40,598	40,598
Net change in fund balance	$ -	$ -	(283,712)	$ (283,712)
FUND BALANCES:				
Beginning of year			6,341,066	
End of year			$ 6,057,354	

Note 2 – Schedule of Funding Progress – Pension Plan

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the Authority’s miscellaneous employees is no longer available or disclosed.

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

The Authority has four agency funds – two Benefit Assessment Districts ("BAD") and two Community Facilities Districts ("CFD").

The BADs were approved by voters to raise local funding for acquiring and preserving open space and annual clearing of brush to reduce fire hazards in the BAD geographic areas. The BADs issued bonds secured by property tax assessments for acquisition of open space lands, hillsides, viewsheds and watersheds, riparian corridors, wildlife corridors and parklands (collectively, the improvements), to prepay a Promissory Note issued by the Authority for the purchase of improvements, to make a deposit into a debt service reserve fund for the bonds, and to pay certain costs of issuing the bonds. The BADs administer the bond proceeds and the repayment of bond principal and interest.

The CFDs were approved by voters to finance maintenance, acquisition, improvement, servicing, protection, and preservation of open space, parkland, wildlife corridors, natural habitats, lands, waters, and facilities owned or managed by the MRCA within the CFD; and administrative or incidental expenses thereto. This includes, but is not limited to, the protection of water quality, the reduction of the risk of wildfires, park ranger safety and security services, and the collection and accumulation of reserves for the aforementioned purposes. CFD #1 did not have any activity during the year ended June 30, 2013, and thus does not appear in the Statement of Changes in Assets and Liabilities.

Mountains Recreation and Conservation Authority
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2013

Benefit Assessment District One	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets:				
Cash and investments	$ 1,165,372	$ 1,112,227	$ (1,885,642)	$ 391,957
Cash and investments with fiscal agent	2,495,051	1,696,980	(1,140,470)	3,051,561
Assessments receivable	60,177	31,591	(60,177)	31,591
Total assets	$ 3,720,600	$ 2,840,798	$ (3,086,289)	$ 3,475,109
Liabilities:				
Accounts payable	$ 41,040	$ 278,475	$ (290,522)	$ 28,993
Due to General Fund	128,817	89,610	(147,312)	71,115
Due to bondholders	3,550,743	-	(175,742)	3,375,001
Total liabilities	$ 3,720,600	$ 368,085	$ (613,576)	$ 3,475,109

Benefit Assessment District Two	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets:				
Cash and investments	$ 1,053,170	$ 979,155	$ (1,461,304)	$ 571,021
Cash and investments with fiscal agent	3,885,460	1,425,192	(1,550,322)	3,760,330
Assessments receivable	40,964	19,431	(40,964)	19,431
Total assets	$ 4,979,594	$ 2,423,778	$ (3,052,590)	$ 4,350,782
Liabilities:				
Accounts payable	$ 9,580	$ 163,241	$ (157,821)	$ 15,000
Due to General Fund	28,524	151,887	(33,024)	147,387
Due to bondholders	4,941,490	-	(753,095)	4,188,395
Total liabilities	$ 4,979,594	$ 315,128	$ (943,940)	$ 4,350,782

Community Facilities District No. 2	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Assets:				
Assessments receivable	$ -	$ 48,309	$ -	$ 48,309
Total assets	$ -	$ 48,309	$ -	$ 48,309
Liabilities:				
Due to General Fund	$ -	$ 48,309	$ -	$ 48,309
Total liabilities	$ -	$ 48,309	$ -	$ 48,309

Mountains Recreation and Conservation Authority
Statement of Changes in Assets and Liabilities (Continued)
Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Total Agency Funds				
Assets:				
Cash and investments	$ 2,218,542	$ 2,091,382	$ (3,346,946)	$ 962,978
Cash and investments with fiscal agent	6,380,511	3,122,172	(2,690,792)	6,811,891
Assessments receivable	101,141	99,331	(101,141)	99,331
Total assets	$ 8,700,194	$ 5,312,885	$ (6,138,879)	$ 7,874,200
Liabilities:				
Accounts payable	$ 50,620	$ 441,716	$ (448,343)	$ 43,993
Due to General Fund	157,341	289,806	(180,336)	266,811
Due to bondholders	8,492,233	-	(928,837)	7,563,396
Total liabilities	$ 8,700,194	$ 731,522	$ (1,557,516)	$ 7,874,200