MOUNTAINS RECREATION AND CONSERVATION AUTHORITY

BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

<u>Report on Financial Statements</u>
We have audited the accompanying financial statements of the governmental activities, the major fund, and aggregate remaining fund information of the Mountains Recreation and Conservation Authority, California (Authority), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

<u>Management's Responsibility for the Financial Statements</u>
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.

<u>Auditor's Responsibility</u>
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.

<u>Opinions</u>
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and aggregate remaining fund information of the Mountains Recreation and Conservation Authority, as of June 30, 2014, 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.

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Emphasis of Matters

As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *"Items Previously Reported as Assets and Liabilities."*, Statement No. 66, *"Technical Correction – 2012."*, Statement No. 67, *"Financial Reporting for Pension Plans."*, and Statement No. 70, *"Accounting and Financial Reporting for Non-exchange Financial Guarantees."*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The combining agency funds financial statements are presented for purposes of additional analysis and are not required parts of the financial statements. The combining agency funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require the budgetary information, on page 23, be presented to supplement the basic financial statements. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, 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 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, LLP
Culver City, California
March 27, 2015

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and investments	$ 6,388,147
Accounts receivable	5,973,560
Interest receivable	2,505
Due from fiduciary funds	102,418
Prepaid items	211,186
Capital assets:	
Non-depreciable	332,914,245
Depreciable:	
Buildings and improvements	40,397,423
Machinery and equipment	4,103,102
Accumulated depreciation	(7,984,976)
Total assets	382,107,610
LIABILITIES	
Accounts payable	1,075,342
Accrued liabilities	281,957
Retention payable	427,397
Deposits payable	754,398
Line of credit payable	1,403,095
Noncurrent liabilities:	
Due within one year	534,971
Due in more than one year	152,957
Total liabilities	4,630,117
NET POSITION	
Net investment in capital assets	369,361,653
Restricted	6,096,792
Unrestricted	2,019,048
Total net position	$ 377,477,493

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:					
Parks and recreation	$ 12,743,491	$ 6,126,038	$ 8,615,761	$ 18,309,981	$ 20,308,289
Total governmental activities	$ 12,743,491	$ 6,126,038	$ 8,615,761	$ 18,309,981	20,308,289
General revenue					
Use of money and property					6,386
Other					683,762
Total general revenue					690,148
Change in net position					20,998,437
Net position at beginning of fiscal year					354,898,020
Prior period adjustments					1,581,036
Net position at beginning of fiscal year, restated					356,479,056
Net position at end of fiscal year					$ 377,477,493

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014

	General Fund
ASSETS:	
Cash and investments	$ 6,388,147
Accounts receivable	5,973,560
Interest receivable	2,505
Due from fiduciary funds	102,418
Prepaid items	211,186
Total assets	$ 12,677,816
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities	
Accounts payable	$ 1,075,342
Accrued liabilities	281,957
Retention payable	427,397
Deposits payable	754,398
Line of credit payable	1,403,095
Total liabilities	3,942,189
Deferred inflows of resources	
Unearned revenue: mitigation for encroachment damage	549,311
Unearned revenue: real property acquisition	1,290,000
Unearned revenue: intergovernmental agreements	566,903
Total deferred inflows of resources	2,406,214
Fund balances	
Nonspendable	211,186
Restricted	
Mitigation projects	5,757,958
Endowments	427,625
Donations	88,500
Unassigned	(155,856)
Total fund balances	6,329,413
Total liabilities, deferred inflows of resources, and fund balances	$ 12,677,816

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Fund balances for the governmental funds			$	6,329,413
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Nondepreciable capital assets	$	332,914,245		
Depreciable capital assets, net		36,515,549		369,429,794
Revenues received but not utilized are not recognized as revenue on the governmental funds and are offset with deferred revenue.				2,406,214
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds.				
Capital lease				(68,141)
Compensated absences				(619,787)
Net position of governmental activities			$	377,477,493

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2014

	General Fund
Revenues:	
Intergovernmental	$ 23,895,436
Fees, permits and leases	6,126,038
Contributions	125,362
Interest	6,386
Other	683,762
Total revenues	30,836,984
Expenditures:	
Current:	
Parks and recreation:	
Salaries and benefits	7,872,954
Services and supplies	5,358,682
Grants	251,470
Capital outlay	16,889,366
Debt service:	
Principal	113,330
Interest	30,704
Total expenditures	30,516,506
Net Change in Fund Balance	320,478
Fund balances, July 1, 2013	6,057,354
Prior period adjustment	(48,419)
Fund balance, July 1, 2013, restated	6,008,935
Fund balance, June 30, 2014	$ 6,329,413

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balance - Governmental Funds	$ 320,478
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 and contribution of $19,224,970 exceeded depreciation expense of $1,082,370 in the period.	18,142,600
In governmental funds, certain restricted revenues are not recognized until the project or real property acquisition for which the funds were restricted has incurred expenditures, at which time, revenue is recognized in the same amount to match the expenditures. In the government-wide statements, such restricted revenues are recognized in the period in which they are received. This is the amount of revenue received that is to be recognized during this fiscal year.	2,406,214
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.	113,330
In the statement of activities, compensated absences 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, vacation used exceeded the amounts earned by $15,815.	15,815
Change in net position of governmental activities	$ 20,998,437

The accompanying notes are an integral part of these basic financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2014

		Agency Funds
ASSETS		
Cash and investments	$	1,702,038
Cash and investments with fiscal agents		5,952,732
Assessments receivable		29,997
Total Assets	$	7,684,767
LIABILITIES		
Accounts payable	$	45,114
Due to General Fund		94,731
Due to bondholders		7,187,229
Deposits		357,693
Total Liabilities	$	7,684,767

The accompanying notes are an integral part of these basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Mountains Recreation and Conservation Authority (MRCA) is a local government public entity established in 1985 pursuant to the Joint Powers Act. The MRCA is a local partnership between the Santa Monica Mountains Conservancy, which is a state agency established by the Legislature, and the Conejo Recreation and Park District and the Rancho Simi Recreation and Park District both of which are local park agencies established by the vote of the people in those communities. The MRCA is dedicated to the preservation and management of local open space and parkland, watershed lands, trails, and wildlife habitat. The MRCA manages and provides ranger services for almost 69,000 acres of public lands and parks that it owns and that are owned by the Santa Monica Mountains Conservancy or other agencies and provides comprehensive education and interpretation programs for the public.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall Authority government. Eliminations have been made to minimize the double counting of internal activities.

During fiscal year ended June 30, 2014, the Authority implemented GASB Statement No. 65. The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable. See Note 1-K for more information.

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational need or capital requirements of a particular program and, (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes and interest, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about Authority's funds. The emphasis of fund financial statements is on individual major funds, each of which is displayed in a separate column.

C. Major Fund

Governmental Accounting Standards Board (GASB) Statement No. 34 defines major funds and requires that Authority's major governmental funds are identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total for both governmental and proprietary fund types. The Authority has determined that its fund is a major governmental fund.

MRCA reported the following major governmental fund in the accompanying financial statements:

General Fund – The General Fund is the main operating fund of Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fiduciary Funds

This fund accounts for assets held by the Authority as an agent. The Authority maintains four agency funds: Benefit Assessment District No.1, Benefit Assessment District No.2, Community Facilities District No.1, and Community Facilities District No. 2.

E. Basis of Accounting

The government-wide financial statements are reported using the *economic measurement focus* and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available.* MRCA considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources.*

Non-exchange transactions, in which MRCA gives or receives value without immediately receiving or giving equal value in exchange, include property assessments, grants, and donations. On the accrual basis, revenues from property assessments are recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, MRCA funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. MRCA policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

F. Budgetary 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.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standard Board (GASB) and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line method over the estimated useful lives of the capital assets, which range from 3 to 50 years.

I. Net Position and Fund Balances

Net Position

The government-wide statement of net position includes three equity categories entitled net investment in capital assets, restricted net position; and unrestricted net position.

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This amount consists of amounts restricted from external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements – Fund Balances

As of June 30, 2014, 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.

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 governing board is the highest level of decision-making authority for the MRCA. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board.

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. The governing board may assign amounts for specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position and Fund Balances (Continued)

Fund Financial Statements – Fund Balances (Continued)

Unassigned – all other spendable amounts.

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

J. Compensated Leave

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. Employees have no vested rights in their accumulated unpaid sick leave upon retirement or termination. However, in the case of retirement only, 50% of an employee's accumulated unpaid 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.

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65
For the fiscal year June 30, 2014, MRCA implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did have an impact on the Authority's financial statements for the fiscal year ended June 30, 2014. Some items reported as assets and liabilities are now reported as deferred inflows or outflows of resources.

Governmental Accounting Standards Board Statement No. 66
For the fiscal year ended June 30, 2014, MRCA implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction – 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements Implementation of the GASB Statement No. 66 did not have an impact on MRCA's financial statements for the fiscal year ended June 30, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, MRCA implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the MRCA's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, MRCA implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the MRCA's financial statements for the fiscal year ended June 30, 2014.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 6,388,147
Fiduciary funds:	
Cash and investments	1,702,038
Cash and investments with fiscal agents	5,952,732
Total cash and investments	$ 14,042,917

Cash and investments at June 30, 2014, consisted of the following:

Cash on hand	$ 510
Deposits with financial institutions	3,021,481
Investments	11,020,926
Total cash and investments	$ 14,042,917

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

A. 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 MRCA (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 trustees 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 Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
Ventura County Investment Pool	N/A	None	None

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by 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 trustee. The table also identifies certain provisions of these debt agreements that address and concentration of credit risk.

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

C. 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 trustee) 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	Totals	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	$ 5,068,194	$ 5,068,194	$ -	$ -	$ -
Investments held by fiscal agent:					
Money Market Funds	4,318,819	4,318,819			
Guaranteed Investment Contracts	1,633,913				1,633,913
	$ 11,020,926	$ 9,387,013	$ -	$ -	$ 1,633,913

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented 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
State Investment Pool (LAIF)	$ 5,068,194	N/A	$ -	$ -	$ -	$ -	$5,068,194
Investments held by fiscal agent:							
Money Market Funds	4,318,819	N/A		4,318,819			
Guaranteed Investment Contracts	1,633,913	N/A				1,633,913	
Total	$ 11,020,926		$ -	$ 4,318,819	$ -	$ 1,633,913	$5,068,194

F. 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 except: US Treasury Obligations and investment pools. In addition, purchases of commercial paper from US corporations must not exceed 10% of the value of the portfolio at any time and single issuer holdings to no more than 10% per user. 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.

G. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (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 deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The 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.

As of June 30, 2014, all of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required under California law.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

H. Investment in State Investment Pool

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

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Deletions	Transfers	Prior Period Adjustment	Balance at June 30, 2014
Governmental activities:						
Capital assets, not being depreciated:						
Land	$ 305,695,903	$ 11,744,616	$ -	$ 22,604	$ -	$317,463,123
Art collection	179,000					179,000
Construction in progress	9,993,121	6,995,065		(1,716,064)		15,272,122
Total capital assets, not being depreciated	315,868,024	18,739,681		(1,693,460)		332,914,245
Capital assets, being depreciated:						
Buildings and improvements	37,074,508			1,693,460	1,629,455	40,397,423
Vehicles	2,771,687	475,220	(66,025)			3,180,882
Equipment	912,151	10,069				922,220
Total capital assets being depreciated	40,758,346	485,289	(66,025)	1,693,460	1,629,455	44,500,525
Less accumulated depreciation for:						
Buildings and improvements	(3,853,721)	(802,658)				(4,656,379)
Vehicles	(2,382,083)	(221,029)	66,025			(2,537,087)
Equipment	(732,827)	(58,683)				(791,510)
Total accumulated depreciation	(6,968,631)	(1,082,370)	66,025			(7,984,976)
Total capital assets, being depreciated, net	33,789,715	(597,081)		1,693,460	1,629,455	36,515,549
Governmental activities capital assets, net	$ 349,657,739	$ 18,142,600	$ -	$ -	$ 1,629,455	$369,429,794

Depreciation expense of $1,082,370 was charged to the parks and recreation function on the Statement of Activities.

NOTE 4 – LINE OF CREDIT

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 lines of credit were 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, 2014 is $1,403,095, which was borrowed for construction costs of various projects.

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the fiscal year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Repayments	Balance at June 30, 2014	Due Within One Year
Capital Lease	$ 181,471	$ -	$ (113,330)	$ 68,141	$ 34,484
Compensated absences	635,602	494,787	(510,602)	619,787	500,487
Total	$ 817,073	$ 494,787	$ (623,932)	$ 687,928	$ 534,971

1. Zion First National Bank #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 an annual interest rate at 4.55%.

Annual debt service requirements for the capital lease are shown below:

Fiscal Year Ended June 30,	Capital Lease Payable Principal	Interest	Total
2015	$ 18,441	$ 420	$ 18,861
	$ 18,441	$ 420	$ 18,861

2. Zion First National Bank #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 an annual interest rate at 3.20%.

Annual debt service requirements for the capital lease are shown below:

Fiscal Year Ended June 30,	Capital Lease Payable Principal	Interest	Total
2015	$ 16,043	$ 1,463	$ 17,506
2016	16,561	945	17,506
2017	17,096	411	17,507
	$ 49,700	$ 2,819	$ 52,519

3. 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 the accumulated vacation and annual leave when an employee retires or is otherwise terminated. Sick leave costs are expensed as paid in the General Fund. Employees have no vested rights in their accumulated unpaid sick leave upon retirement or termination. However, in the case of retirement only, 50% of an employee's accumulated unpaid sick leave is converted to PERS service credit.

NOTE 6 – PENSION PLAN

Plan Description and Funding Policy

Substantially all full-time Authority employees are eligible to participate in pension plans offered by California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Authority's employees participate in the Miscellaneous Employee Plan Benefits are based on years of credited service equal to one year of full time employment. Funding contributions for the plan is determined annually on an actuarial basis as of June 30 by CalPERS; the Authority must contribute these amounts. The current required contribution rate is 8.930% for the miscellaneous plan. The Public Employee Pension Reform Act of 2013 (PEPRA) was enacted January 2013 and requires PEPRA members to contribute 6.5% of a miscellaneous member's 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 Cost

For the fiscal year 2013/2014, the Authority's annual pension cost of $524,805 for PERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increase of 3.30% to 14.20% depending upon entry age; and (c) an inflation rate of 3.0% compounded annually. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 9 years.

Three-Year Trend Information for Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	$418,519	100%	$ -
06/30/13	407,496	100%	-
06/30/14	524,805	100%	-

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 funding progress for the Authority's employees is no longer available or disclosed.

NOTE 7 – 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 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.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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. As of June 30, 2014, the principal balance outstanding on the loan totaled $111,115.

State and Federal Allowances, Awards, and Grants
MRCA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation
MRCA is a defendant in a certain number of 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 February 14, 2015, in the opinion of Authority Management, there were no additional outstanding matters that would have a significant effect on the financial position of the Authority.

NOTE 9 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management of the MRCA has evaluated subsequent events through March 14, 2015, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

NOTE 10 – DEBT ISUED 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 (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 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, 2014 is $11,240,000.

Assessment District No.2004-02

In March 2004, the Authority issued $13,805,000 of Assessment District No. 2004-02 Limited Obligation Improvement Bonds Series 2004 (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 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, 2014 is $10,015,000.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

The prior period adjustment of ($48,419) in the General Fund and the government-wide Statement of Activities was due to an understatement of deferred revenue in the prior fiscal year.

The prior period adjustment of $1,629,455 on the government-wide Statement of Activities was due to an understatement of improvements in the prior fiscal year.

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MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$23,977,000	$23,977,000	$23,895,436	$ (81,564)
Fees, permits and leases	4,977,000	4,977,000	6,126,038	1,149,038
Contributions			125,362	125,362
Interest			6,386	6,386
Other			683,762	683,762
Total Revenues	28,954,000	28,954,000	30,836,984	1,882,984
Expenditures:				
Current:				
Parks and recreation:				
Salaries and benefits	7,351,925	7,351,925	7,872,954	(521,029)
Services and supplies	4,869,114	4,869,114	5,358,682	(489,568)
Grants	100,000	100,000	251,470	(151,470)
Capital outlay	16,596,961	16,596,961	16,889,366	(292,405)
Debt service:				
Principal			113,330	(113,330)
Interest	36,000	36,000	30,704	5,296
Total Expenditures	28,954,000	28,954,000	30,516,506	(1,562,506)
Net Change in Fund Balance			320,478	320,478
Fund Balance - July 1, 2013	6,057,354	6,057,354	6,057,354	
Prior period adjustment			(48,419)	(48,419)
Fund balance, July 1, 2013, restated	6,057,354	6,057,354	6,008,935	(48,419)
Fund Balance - June 30, 2014	$ 6,057,354	$ 6,057,354	$ 6,329,413	$ 272,059

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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.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Benefit Assessment District One				
Assets:				
Cash and investments	$ 391,957	$ 1,071,022	$ (889,078)	$ 573,901
Cash and investments with fiscal agents	3,051,561	895,513	(1,027,935)	2,919,139
Assessments receivable	31,591	11,994	(31,591)	11,994
Total assets	$ 3,475,109	$ 1,978,529	$ (1,948,604)	$ 3,505,034
Liabilities				
Accounts payable	$ 28,993	$ 112,859	$ (131,779)	$ 10,073
Due to General Fund	71,115	41,444	(109,584)	2,975
Due to bondholders	3,375,001	116,985		3,491,986
Total liabilities	$ 3,475,109	$ 271,288	$ (241,363)	$ 3,505,034

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Benefit Assessment District Two				
Assets:				
Cash and investments	$ 571,021	$ 948,939	$ (841,043)	$ 678,917
Cash and investments with fiscal agents	3,760,330	$ 1,097,953	(1,824,690)	3,033,593
Assessments receivable	19,431	7,904	(19,431)	7,904
Total assets	$ 4,350,782	$ 2,054,796	$ (2,685,164)	$ 3,720,414
Liabilities				
Accounts payable	$ 15,000	$ 158,032	$ (150,336)	$ 22,696
Due to General Fund	147,387	68,171	(213,083)	2,475
Due to bondholders	4,188,395		(493,152)	3,695,243
Total liabilities	$ 4,350,782	$ 226,203	$ (856,571)	$ 3,720,414

(Continued)

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014
(Continued)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Community Facilities District No. 1				
Assets:				
Cash and investments	$ -	$ 1,064,642	$ (810,991)	$ 253,651
Assessments receivable		7,524		7,524
Total assets	$ -	$ 1,072,166	$ (810,991)	$ 261,175
Liabilities				
Accounts payable	$ -	$ 104,024	$ (95,814)	$ 8,210
Due to General Fund		452,442	(392,836)	59,606
Deposits		193,359		193,359
Total liabilities	$ -	$ 749,825	$ (488,650)	$ 261,175
Community Facilities District No. 2				
Assets:				
Cash and investments	$ -	$ 313,514	$ (117,945)	$ 195,569
Assessments receivable	48,309		(45,734)	2,575
Total assets	$ 48,309	$ 313,514	$ (163,679)	$ 198,144
Liabilities				
Accounts payable	$ -	$ 53,435	$ (49,300)	$ 4,135
Due to General Fund	48,309	84,972	(103,606)	29,675
Deposits		164,334		164,334
Total liabilities	$ 48,309	$ 302,741	$ (152,906)	$ 198,144

(Continued)

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014
(Continued)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 962,978	$ 3,398,117	$ (2,659,057)	$ 1,702,038
Cash and investments with fiscal agents	6,811,891	1,993,466	(2,852,625)	5,952,732
Assessments receivable	99,331	27,422	(96,756)	29,997
Total assets	$ 7,874,200	$ 5,419,005	$ (5,608,438)	$ 7,684,767
Liabilities				
Accounts payable	$ 43,993	$ 428,350	$ (427,229)	$ 45,114
Due to General Fund	266,811	647,029	(819,109)	94,731
Due to bondholders	7,563,396	116,985	(493,152)	7,187,229
Deposits		357,693		357,693
Total liabilities	$ 7,874,200	$ 1,550,057	$ (1,739,490)	$ 7,684,767