

**MOUNTAINS RECREATION AND CONSERVATION
AUTHORITY**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2016, and the respective changes in financial position, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and Statement No. 73, *Accounting and Reporting for Pensions and Related Assets not within the Scope of GASB 68 and Amendments to GASB 67 and 68*. Our opinion is not modified with respect to this matter.

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.

Accounting principles generally accepted in the United States of America require the budgetary information, on page 26, the schedule of the Authority's proportionate share of the net pension liability on page 27, and the schedule of pension contributions on page 28, 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 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 on pages 30 through 32 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, 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

Moss, Levy & Hartzheim, LLP
Culver City, California
March 24, 2017

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and investments (Note 2)	\$ 11,595,742
Accounts receivable	8,354,559
Interest receivable	13,722
Due from fiduciary funds	362,435
Prepaid Items	299,098
Total current assets	<u>20,625,556</u>
Noncurrent assets:	
Capital assets: (Note 3)	
Non-depreciable	481,431,929
Depreciable:	
Buildings and improvements	50,880,912
Machinery and equipment	4,844,667
Less: Accumulated depreciation	<u>(10,216,645)</u>
Total capital assets, net	<u>526,940,863</u>
Total assets	<u>547,566,419</u>
DEFERRED OUTFLOW OF RESOURCES	
Authority's contribution to pension subsequent to measurement date (Note 6)	<u>346,810</u>
Total assets and deferred outflow of resources	<u>547,913,229</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,512,401
Accrued liabilities	167,855
Retention payable	137,947
Deposits payable	344,115
Leases payable - due in less than one year	223,940
Compensated absences - due in less than one year	124,889
Line of credit payable (Note 4)	<u>1,693,012</u>
Total current liabilities	<u>4,204,159</u>
Noncurrent liabilities:	
Leases payable - due in more than one year	656,033
Compensated absences - due in more than one year	374,669
Net pension liability (Note 6)	<u>1,990,496</u>
Total noncurrent liabilities	<u>3,021,198</u>
Total liabilities	<u>7,225,357</u>
DEFERRED INFLOW OF RESOURCES	
Differences between projected and actual earnings on pension plan investments (Note 6)	639,158
Pre-paid mitigation projects (Note 7)	9,204,318
Advanced funds received on grants	<u>5,918,157</u>
Total deferred inflow of resources	<u>15,761,633</u>
Total liabilities and deferred inflow of resources	<u>22,986,990</u>
NET POSITION	
Net investment in capital assets	524,367,878
Restricted - Nonspendable - Endowments for resource protection	422,531
Restricted - Donations for resource protection	210,603
Unrestricted	<u>(74,773)</u>
Total net position	<u>\$ 524,926,239</u>

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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Parks and recreation	\$ 16,820,220	\$ 5,472,642	\$ 9,508,623	\$ 12,420,661	\$ 10,581,706
Total governmental activities	<u>\$ 16,820,220</u>	<u>\$ 5,472,642</u>	<u>\$ 9,508,623</u>	<u>\$ 12,420,661</u>	<u>10,581,706</u>
General revenue					35,011
Use of money and property					334,740
Other					
Total general revenue					<u>369,751</u>
Change in net position					<u>10,951,457</u>
Net position at beginning of fiscal year					518,954,111
Prior period adjustments (Note 10)					<u>(4,979,329)</u>
Net position at beginning of fiscal year, restated					<u>513,974,782</u>
Net position at end of fiscal year					<u>\$ 524,926,239</u>

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	General Fund
ASSETS:	
Cash and investments (Note 2)	\$ 11,595,742
Accounts receivable	8,354,559
Interest receivable	13,722
Due from fiduciary funds	362,435
Prepaid items	299,098
Total assets	\$ 20,625,556
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities	
Accounts payable	\$ 1,512,401
Accrued liabilities	167,855
Retention payable	137,947
Deposits payable	344,115
Line of credit payable (Note 4)	1,693,012
Total liabilities	3,855,330
Deferred inflows of resources	
Deferred revenue: mitigation for encroachment damage	403,260
Deferred revenue: real property acquisition	1,290,000
Deferred revenue: intergovernmental agreements	4,224,897
Deferred revenue: prepaid mitigation projects (Note 7)	9,204,318
Total deferred inflows of resources	15,122,475
Fund balances	
Nonspendable	
Prepaid Items	299,098
Endowments for resource protection	422,531
Restricted	
Donations for resource protection	210,603
Unassigned	715,519
Total fund balances	1,647,751
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,625,556

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, 2016

Fund balances for the governmental funds		\$ 1,647,751
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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	\$ 481,431,929		
Depreciable capital assets, net	<u>45,508,934</u>		526,940,863

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	(879,973)		
Compensated absences	(499,558)		
Net pension liability	<u>(1,990,496)</u>		(3,370,027)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflow of resources: pension	346,810		
Deferred inflow of resources: pension	<u>(639,158)</u>		<u>(292,348)</u>

Net position of governmental activities		<u><u>\$ 524,926,239</u></u>
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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, 2016

	General Fund
Revenues:	
Intergovernmental	\$ 16,812,990
Fees, permits, and leases	5,472,642
Contributions	871,725
Mitigations	1,200,181
Interest	35,011
Other	334,740
	24,727,289
Expenditures:	
Current:	
Parks and recreation:	
Salaries and benefits	9,327,368
Services and supplies	5,977,619
Grants	740,917
Capital outlay	7,569,514
Debt service:	
Principal	121,222
Interest	105,452
	23,842,092
Net Change in Fund Balance	885,197
Fund balance, July 1, 2015	6,005,749
Prior period adjustment (Note 10)	(5,243,195)
Fund balance, July 1, 2015, restated	762,554
Fund balance, June 30, 2016	\$ 1,647,751

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, 2016

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	\$	885,197
<p>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 contributions exceeded depreciation expense and CIP deleted and expensed in the period.</p>		
		13,778,813
<p>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.</p>		
		(3,713,902)
<p>In governmental funds, issuance of long-term debt is reported as revenue and repayments of long-term debt are reported as expenditures. In the government-wide statements, issuance and repayment of long-term debt are reported as increases and reductions of liabilities.</p>		
		(485,557)
<p>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 \$58,996.</p>		
		58,996
<p>In governmental funds, pension costs are recognized when employer contributions are made; however, in the statement of activities, pension costs are recognized on the accrual basis. This is the difference between accrual-basis pension costs and actual employer contributions.</p>		
		<u>427,910</u>
Change in net position of governmental activities	\$	<u><u>10,951,457</u></u>

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, 2016

	Agency Funds
ASSETS	
Cash and investments	\$ 1,393,657
Cash and investments with fiscal agents	4,733,443
Assessments receivable	77,349
Total Assets	\$ 6,204,449
LIABILITIES	
Accounts payable	\$ -
Due to General Fund	362,434
Due to bondholders	5,460,716
Deposits	381,299
Total Liabilities	\$ 6,204,449

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 73,000 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.

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 revenue. 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 are presented as general revenues.

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.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 five agency funds: Benefit Assessment District No.1, Benefit Assessment District No.2, Community Facilities District No.1, Community Facilities District No.2 and Community Facilities District No. 3.

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, and one year for grant revenues. 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. 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.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. 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.

L. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72, Fair Value Measurement and Application, addresses accounting and reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The pronouncement provides for three valuation techniques: the market approach, the cost approach and the income approach. The valuation technique should be consistently applied, maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The hierarchy of inputs used to measure fair value falls into three categories: Level 1 is quoted market prices for identical assets or liabilities; Level 2 is for observable inputs either directly or indirectly; Level 3 is unobservable inputs. The pronouncement will be effective for the years ending June 30, 2016, and will require restatement of prior periods. Please see Note 3(I) for impact on the financial statements.

Governmental Accounting Standards Board Statement No. 73

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Reporting for Pensions and Related Assets not within the Scope of GASB 68 and Amendments to GASB 67 and 68*. This pronouncement applies the approach to accounting and financial reporting established in GASB 68 to all pension plans that are not within the scope of GASB 68, with certain modifications. Amendments to GASB 67 and 68 relate to information about investment-related factors and clarify that only information about trends that the plan has influence over should be presented. It also clarifies that payables to a pension plan for any unpaid financing obligations are not separately financed specific liabilities as defined by GASB 67. The last amendment relates to recognizing revenue for support of nonemployer contributions to a pension plan and requires that the contribution be recognized in the same period as the change in the net pension liability is recognized. The amendments will be effective for years ending June 30, 2016. This pronouncement had no impact on the financial statements.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments	\$ 11,595,742
Fiduciary funds:	
Cash and investments	1,393,657
Cash and investments with fiscal agents	<u>4,733,444</u>
Total cash and investments	<u>\$ 17,722,843</u>

Cash and investments at June 30, 2016 consisted of the following:

Cash on hand	\$ 1,145
Deposits with financial institutions	3,083,342
Investments	<u>14,638,356</u>
Total cash and investments	<u>\$ 17,722,843</u>

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
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.

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool (LAIF)	\$ 9,904,912	\$ 9,904,912	\$ -	\$ -	\$ -
Investments held by fiscal agent:					
Money Market Funds	3,099,530	3,099,530			
Guaranteed Investment Contracts	1,633,914				1,633,914
	<u>\$ 14,638,356</u>	<u>\$ 13,004,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,633,914</u>

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool (LAIF)	\$ 9,904,912	N/A	\$ -	\$ -	\$ -	\$ -	\$9,904,912
Investments held by fiscal agent:							
Money Market Funds	3,099,530	N/A		3,099,530			
Guaranteed Investment Contracts	1,633,914	N/A				1,633,914	
Total	<u>\$ 14,638,356</u>		<u>\$ -</u>	<u>\$ 3,099,530</u>	<u>\$ -</u>	<u>\$ 1,633,914</u>	<u>\$9,904,912</u>

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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, 2016, 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.

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.

I. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources. The District did not have any investments applicable to recurring fair value measurements as of June 30, 2016.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance at June 30, 2015	Additions	Deletions	Transfers	Prior Period Adjustments	Balance at June 30, 2016
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 457,555,370	\$ 9,815,945	\$ -	\$ -	\$ -	\$ 467,371,315
Art collection	179,000					179,000
Construction in progress	13,488,574	4,391,214	(9,574)	(4,252,466)	263,866	13,881,614
Total capital assets not being depreciated	<u>471,222,944</u>	<u>14,207,159</u>	<u>(9,574)</u>	<u>(4,252,466)</u>	<u>263,866</u>	<u>481,431,929</u>
Capital assets being depreciated:						
Buildings and improvements	46,628,443			4,252,466		50,880,909
Vehicles	3,074,955	781,091	(45,520)			3,810,526
Equipment	1,019,161	14,983				1,034,144
Total capital assets, being depreciated	<u>50,722,559</u>	<u>796,074</u>	<u>(45,520)</u>	<u>4,252,466</u>		<u>55,725,579</u>
Less accumulated depreciation:						
Buildings and improvements	(5,557,619)	(1,018,961)				(6,576,580)
Vehicles	(2,642,357)	(139,610)	45,520			(2,736,447)
Equipment	(847,343)	(56,274)				(903,617)
Total accumulated depreciation	<u>(9,047,319)</u>	<u>(1,214,845)</u>	<u>45,520</u>			<u>(10,216,644)</u>
Total capital assets, being depreciated, net	<u>41,675,240</u>	<u>(418,771)</u>	<u>-</u>	<u>4,252,466</u>		<u>45,508,935</u>
Governmental activities capital assets, net	<u>\$ 512,898,184</u>	<u>\$ 13,788,388</u>	<u>\$ (9,574)</u>	<u>\$ -</u>	<u>\$ 263,866</u>	<u>\$ 526,940,864</u>

Depreciation expense of \$1,214,845 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 again on October 3, 2014. Draws on the lines currently accrue interest at the rate of 110% and 75% of the Prime Rate, respectively. The interest rate is reset at the beginning of each calendar month. The balance outstanding at June 30, 2016 on the capital line is \$1,693,012, which was borrowed for construction costs of various projects. The balance on the operating line at June 30, 2016 is zero. The last date to draw on the line of credit is August 31, 2019, and individual draws on the capital line must be paid within three years of each individual draw.

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the fiscal year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Repayments	Balance at June 30, 2016	Due Within One Year
Capital lease	\$ 394,416	\$ 606,779	\$ (121,222)	\$ 879,973	\$ 223,940
Compensated absences	558,554	373,765	(432,761)	499,558	124,889
Net pension liability	2,292,958	1,283,338	(1,585,800)	1,990,496	
Total	<u>\$ 3,245,928</u>	<u>\$ 2,263,882</u>	<u>\$ (2,139,783)</u>	<u>\$ 3,370,027</u>	<u>\$ 348,829</u>

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – LONG-TERM DEBT (CONTINUED)

1. Ford Motor Credit Company

The Authority entered into a lease agreement with Ford Motor Credit Company for 15 vehicles during fiscal year ended June 30, 2016. The lease has been classified as a capital lease obligation. The principal amount financed was \$606,779 with an annual interest rate at 4.20%. The amount of principal paid during the fiscal year ended June 30, 2016 was \$11,190. Annual debt service requirements for the capital lease are shown below:

Fiscal Year Ended June 30,	Capital Lease Payable		
	Principal	Interest	Total
2017	\$ 111,396	\$ 22,887	\$ 134,283
2018	116,166	18,117	134,283
2019	121,140	13,143	134,283
2020	126,327	7,956	134,283
2021	120,560	2,532	123,093
	<u>\$ 595,589</u>	<u>\$ 64,634</u>	<u>\$ 660,224</u>

2. Zion First National Bank #9002

The Authority entered into a lease agreement with Zions First National Bank for two vehicles during the 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%. The amount of principal paid during the fiscal year ended June 30, 2016 was \$16,043. Annual debt service requirements for the capital lease are shown below:

Fiscal Year Ended June 30,	Capital Lease Payable		
	Principal	Interest	Total
2017	\$ 17,096	\$ 411	\$ 17,507
	<u>\$ 17,096</u>	<u>\$ 411</u>	<u>\$ 17,507</u>

3. Zion First National Bank #9003

The Authority entered into a lease agreement with Zions First National Bank for 14 vehicles during the fiscal year ended June 30, 2014. The lease has been classified as a capital lease obligation. The principal amount financed was \$475,220 with an annual interest rate at 2.10%. The amount of principal paid during the fiscal year ended June 30, 2016 was \$114,461. Annual debt service requirements for the capital lease are shown below:

Fiscal Year Ended June 30,	Capital Lease Payable		
	Principal	Interest	Total
2017	\$ 95,448	\$ 5,112	\$ 100,560
2018	97,464	3,102	100,566
2019	74,376	1,041	75,417
	<u>\$ 267,288</u>	<u>\$ 9,255</u>	<u>\$ 276,543</u>

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.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – PENSION PLAN

Plan Description and Funding Policy

All qualified employees are eligible to participate in the Authority’s Miscellaneous Employee Pension Plan, administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available report that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Authority participates in a pension “pool” with other governmental agencies.

Benefits Provided

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

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>
Benefit formula	2% @ 60
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	50-63
Monthly benefits, as a % of eligible compensation	1.09%-2.42%
Required employee contribution rates	7.00%
Required employer contribution rates	8.92%

Contributions

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

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

Contributions – employer	\$ 414,958
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MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – PENSION PLAN (CONTINUED)

Contributions (Continued)

As of June 30, 2016, the Authority reported net pension liability for its proportionate share of the net position liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Classic Miscellaneous	\$ 1,990,496
Total Net Pension Liability	\$ 1,990,496

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Classic Miscellaneous
Proportion - June 30, 2014	0.09278%
Proportion - June 30, 2015	0.07255%
Change - (Decrease)	(0.02023%)

For the fiscal year ended June 30, 2016, the Authority recognized pension expense of \$414,958. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 310,118	\$ -
Difference in actual contribution vs proportionate share	11,165	
Difference between expected and actual experience	25,527	
Net differences between projected and actual earnings on pension plan investments		(121,071)
Changes in assumptions		(241,509)
Adjustment due to differences in proportions		(276,578)
Total	\$ 346,810	\$ (639,158)

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – PENSION PLAN (CONTINUED)

Contributions (Continued)

\$414,958 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2017	\$ (220,786)
2018	(210,374)
2019	(141,039)
2020	<u>(30,267)</u>
Total	<u>\$ (602,466)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	3.30% to 14.20% (1)
Investment Rate of Return	7.5% (2)
Mortality	Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

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

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – PENSION PLAN (CONTINUED)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$ 3,769,999
Current Discount Rate	7.65%
Net Pension Liability	1,990,496
1% Increase	8.65%
Net Pension Liability	521,310

Pension Plan Fiduciary Net Position

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

NOTE 7 – MITIGATION PROGRAM

The Authority manages a mitigation program, funded by developers who, as a condition of receiving development permits, contribute funds and/or land to offset (“mitigate”) environmental losses resulting from the proposed developments. The funds may be used to purchase additional land and/or conservation easements as well as restoring and/or enhancing the existing and/or newly purchased land/easements. The actual mitigation fees are based on the type and severity of the habitat disturbed by the proposed developments. Mitigation program funds are restricted pursuant to agreements between the Authority, the developers and the permit agencies. Developers may also provide funds for maintenance of properties within the mitigation program, and in rare cases provide non-wasting endowments, whereby the Authority maintains the funds in perpetuity and uses any interest to maintain associated properties. Total value of funds available for this program as of June 30, 2016 is \$9,204,318.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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 March 25, 2017, 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 – 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 (Bonds). The Bonds were issued to finance costs for acquiring and maintaining certain open space lands, hillsides, viewsheds and watersheds, riparian corridors, wildlife corridors, parklands and fuel modification 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, 2016 is \$10,465,000.

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, viewsheds and watersheds, riparian corridors, wildlife corridors, parklands and fuel modification 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, 2016 is \$9,325,000.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

The prior period adjustment of (\$4,979,329) in the Government-Wide Statement of Activities consists of an \$263,866 understatement of capital assets in the prior fiscal year and a (\$5,243,195) reclassification of deferred mitigation revenue from a component of restricted fund balance to a deferred inflow of resources.

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – FUTURE GASB PRONOUNCEMENTS

GASB Statements listed below will be implemented in future financial statements.

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provision of this statement is effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provision of this statement is effective for fiscal years beginning after December 15, 2015.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after December 15, 2017.

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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 28,797,000	\$ 28,797,000	\$ 16,812,990	\$ (11,984,010)
Fees, permits and leases	4,949,000	4,949,000	5,472,642	523,642
Contributions			871,725	871,725
Mitigations	2,317,000	2,317,000	1,200,181	(1,116,819)
Donations	52,000	52,000	-	(52,000)
Interest	18,000	18,000	35,011	17,011
Other	98,000	98,000	334,740	236,740
Total Revenues	<u>36,231,000</u>	<u>36,231,000</u>	<u>24,727,289</u>	<u>(11,503,711)</u>
Expenditures:				
Current:				
Parks and recreation:				
Salaries and benefits	9,465,000	9,465,000	9,327,368	137,632
Services and supplies	6,063,000	6,063,000	5,977,619	85,381
Grants	150,000	150,000	740,917	(590,917)
Capital outlay	20,985,000	20,985,000	7,569,514	13,415,486
Debt service:				
Principal			121,222	(121,222)
Interest	100,000	100,000	105,452	(5,452)
Total Expenditures	<u>36,763,000</u>	<u>36,763,000</u>	<u>23,842,092</u>	<u>12,920,908</u>
Net Change in Fund Balance	(532,000)	(532,000)	885,197	1,417,197
Fund Balance - July 1, 2015	<u>6,005,749</u>	<u>6,005,749</u>	<u>6,005,749</u>	
Prior period adjustment			<u>(5,243,195)</u>	<u>(5,243,195)</u>
Fund balance, July 1, 2015, restated	<u>6,005,749</u>	<u>6,005,749</u>	<u>762,554</u>	<u>(5,243,195)</u>
Fund Balance - June 30, 2016	<u>\$ 5,473,749</u>	<u>\$ 5,473,749</u>	<u>\$ 1,647,751</u>	<u>\$ (3,825,998)</u>

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 LAST 10 FISCAL YEARS*

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Measurement Date	Measurement Date
	June 30, 2014	June 30, 2015
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Proportion of the net pension liability	0.09278%	0.07255%
Proportionate share of the net pension liability	\$ 2,292,958	\$ 1,990,496
Covered-employee payroll	\$ 4,695,868	\$ 5,665,995
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	48.83%	35.13%
Plan's fiduciary net position	\$ 10,001,667	\$ 11,076,148
Plan's total pension liability	\$ 12,294,625	\$ 13,066,644
Plan fiduciary net position as a percentage of total pension liability	81.35%	84.77%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in Assumptions: Discount rate changed to 7.65% from 7.5%.

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 LAST 10 FISCAL YEARS*

SCHEDULE OF PENSION CONTRIBUTIONS

	Miscellaneous Fiscal Year 2014-15 ¹	Miscellaneous Fiscal Year 2015-16 ¹
Actuarially Determined Contribution ²	\$ 414,958	\$ 310,118
Contributions in Relation to the Actuarially Determined Contribution ²	(414,958)	(310,118)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 4,646,786	\$ 5,665,995
Contributions as a Percentage of Covered-Employee Payroll ³	8.93%	5.47%

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

²Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees in the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2012 Funding Valuation Report
Assets Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
SUPPLEMENTARY INFORMATION
June 30, 2016

Fiduciary Funds

The Authority has five agency funds – two Benefit Assessment Districts (“BAD”) and three Community Facilities Districts (“CFD”).

The BADs were approved by voters to raise local funding for acquiring and preserving open space and annual fuel modification to reduce fire hazards in the BAD geographic areas. The BADs issued bonds secured by property 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, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Benefit Assessment District One</u>				
<u>Assets:</u>				
Cash and investments	\$ 439,746	\$ 1,794,801	\$ (1,974,844)	\$ 259,703
Cash and investments with fiscal agents	2,372,298	1,499,131	(1,926,448)	1,944,981
Assessments receivable	29,256	31,587	(29,256)	31,587
Total assets	\$ 2,841,300	\$ 3,325,519	\$ (3,930,548)	\$ 2,236,271
<u>Liabilities</u>				
Accounts payable	\$ 38,510	\$ 515,233	\$ (553,743)	\$ -
Due to General Fund	82,999	97,997	(82,999)	97,997
Due to bondholders	2,719,791	2,712,289	(3,293,806)	2,138,274
Total liabilities	\$ 2,841,300	\$ 3,325,519	\$ (3,930,548)	\$ 2,236,271
<u>Benefit Assessment District Two</u>				
<u>Assets:</u>				
Cash and investments	\$ 784,642	\$ 1,971,433	\$ (2,092,968)	\$ 663,107
Cash and investments with fiscal agents	2,962,646	1,494,726	(1,668,910)	2,788,462
Assessments receivable	20,361	21,036	(20,361)	21,036
Total assets	\$ 3,767,649	\$ 3,487,195	\$ (3,782,239)	\$ 3,472,605
<u>Liabilities</u>				
Accounts payable	\$ 73,883	\$ 597,639	\$ (671,522)	\$ -
Due to General Fund	(213,161)	363,324		150,163
Due to bondholders	3,906,927	2,526,232	(3,110,717)	3,322,442
Total liabilities	\$ 3,767,649	\$ 3,487,195	\$ (3,782,239)	\$ 3,472,605

(Continued)

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2016
(Continued)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Community Facilities District No. 1</u>				
<u>Assets:</u>				
Cash and investments	\$ 338,538	\$ 657,175	\$ (863,521)	\$ 132,192
Assessments receivable	16,543	18,247	(16,543)	18,247
Total assets	\$ 355,081	\$ 675,422	\$ (880,064)	\$ 150,439
<u>Liabilities</u>				
Accounts payable	\$ -		\$ -	\$ -
Due to General Fund	266,609		(209,320)	57,289
Deposits	88,472	675,422	(670,744)	93,150
Total liabilities	\$ 355,081	\$ 675,422	\$ (880,064)	\$ 150,439
<u>Community Facilities District No. 2</u>				
<u>Assets:</u>				
Cash and investments	\$ 336,524	\$ 295,052	\$ (292,921)	\$ 338,655
Assessments receivable	5,889	6,479	(5,889)	6,479
Total assets	\$ 342,413	\$ 301,531	\$ (298,810)	\$ 345,134
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to General Fund	53,715	8,168		61,883
Deposits	288,698	293,363	(298,810)	283,251
Total liabilities	\$ 342,413	\$ 301,531	\$ (298,810)	\$ 345,134

(Continued)

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2016
(Continued)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Community Facilities District No. 3</u>				
<u>Assets:</u>				
Due from General Fund	\$ -	\$ 10,000	\$ (5,102)	\$ 4,898
Total assets	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (5,102)</u>	<u>\$ 4,898</u>
<u>Liabilities</u>				
Deposits	\$ -	\$ 10,000	\$ (5,102)	\$ 4,898
Total liabilities	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (5,102)</u>	<u>\$ 4,898</u>
<u>Totals - All Agency Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,899,450	\$ 4,718,461	\$ (5,224,254)	\$ 1,393,657
Cash and investments with fiscal agents	5,334,944	2,993,857	(3,595,358)	4,733,443
Assessments receivable	72,049	77,349	(72,049)	77,349
Total assets	<u>\$ 7,306,443</u>	<u>\$ 7,789,667</u>	<u>\$ (8,891,661)</u>	<u>\$ 6,204,449</u>
<u>Liabilities</u>				
Accounts payable	\$ 112,393	\$ 1,112,872	\$ (1,225,265)	\$ -
Due to General Fund	190,162	459,489	(292,319)	362,434
Due to bondholders	6,626,718	5,238,521	(6,399,421)	5,460,716
Deposits	377,170	978,785	(974,656)	381,299
Total liabilities	<u>\$ 7,306,443</u>	<u>\$ 7,789,667</u>	<u>\$ (8,891,661)</u>	<u>\$ 6,204,449</u>