

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Basic Financial Statements

For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Clarita Watershed Recreation and Conservation Authority (Authority) is a joint powers authority formed under the provision of Section 6500 of the California Government Code in 1993 by the City of Santa Clarita (City) and the Santa Monica Mountains Conservancy (Conservancy). The primary purpose of the Authority is to cooperatively plan for preservation of open space, trails, parkland, and watershed protection in the Santa Clarita area and the upper Santa Clara River Watershed.

The Agreement shall remain in effect until terminated by either party. The distribution of any property shall be made to the parties from which the funds or personal property were obtained, except as mutually agreed by the parties. All real property owned by the Authority shall be conveyed to the City, unless the Authority has deemed otherwise.

The Authority has a four-member Board of Directors consisting of two members appointed by the Conservancy and two members from the City. The Authority prepares an annual budget, which is submitted for approval to the City and the Conservancy.

B. Basis of Accounting

The Authority's Basic Financial Statements are prepared in conformity with generally accepted accounting principles in the United States. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets.

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

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting, Continued

Governmental Fund Financial Statements, Continued

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

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

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Major Funds

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

The General Fund - The General Fund is the main operating fund and the only fund of the Authority.

The Authority applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The Authority applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

C. Cash, Cash Equivalents, and Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Santa Clarita Watershed Recreation and Conservation Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents, and Investments, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, are made for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

D. Capital Assets

Capital assets owned by the Authority are capitalized at historical cost. Capital assets are defined by the Authority as all land, improvements, buildings, and equipment, with an initial individual cost of \$5,000 or more. The estimated useful lives of structures and improvements range from ten to thirty-five years.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

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

	Useful Lives Years	Capitalization Threshold
Structures and Improvements	10-35	\$ 5,000

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

E. Member Contributions

Member contributions are received from the Authority's members in order to pay for cost of operations and management of Authority-owned, open-space property.

Santa Clarita Watershed Recreation and Conservation Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

G. Net Assets

Government-Wide Financial Statements - In the government-wide financial statements, net assets are classified in the following:

Invested in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets" as defined above.

H. Use of estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2009:

Total cash and investments	<u>\$ 321,259</u>
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A. Cash Deposits

The carrying amount of the Authority's cash deposits were \$321,259 and bank balances were \$321,259 at June 30, 2009, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the Authority's name.

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

The market value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Authority, however, has not waived the collateralization requirements.

Santa Clarita Watershed Recreation and Conservation Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

Investments Authorized by the California Government Code

Under the provisions of the California Government Code 53601, the Authority is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
United States (U.S.) Treasury Obligations	5 years	None	None
U.S Government Sponsored Entity Securities	5 years	None	40%
Banker's Acceptances	180 days	40%	10%
Time Certificate of Deposit	5 years	25%	None
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	2%	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 40,000,000

The Authority did not purchase, sell, or hold any investments during the year ended June 30, 2009.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, \$71,259 of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Santa Clarita Watershed Recreation and Conservation Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

3. CAPITAL ASSETS

At June 30, 2009, the Authority's capital assets consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 5,163,807	\$ -	\$ -	\$ 5,163,807
Construction in progress	103,183	-	-	103,183
Total capital assets, not being depreciated	5,266,990	-	-	5,266,990
Capital assets, being depreciated:				
Buildings and improvements	138,312	-	-	138,312
Total capital assets, being depreciated	138,312	-	-	138,312
Less accumulated depreciation for:				
Buildings and improvements	(22,125)	(4,425)	-	(26,550)
Total accumulated depreciation	(22,125)	(4,425)	-	(26,550)
Total capital assets, being depreciated, net	116,187	(4,425)	-	111,762
Total capital assets, net	\$ 5,383,177	\$ (4,425)	\$ -	\$ 5,378,752

Depreciation expense for the depreciable capital assets was \$4,425 for the year ended June 30, 2009.

4. CONTINGENT LIABILITIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's management, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Authority.

As of June 30, 2009, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Clarita Watershed Recreation and Conservation Authority
Required Supplementary Information
For the year ended June 30, 2009

1. BUDGET AND BUDGETARY ACCOUNTING

The Authority adopts an annual operating budget that is substantially on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control, that is, the level at which expenditures cannot exceed appropriations, is at the fund level.

Santa Clarita Watershed Recreation and Conservation Authority
Required Supplementary Information, Continued
For the year ended June 30, 2009

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Interest	\$ -	\$ -	\$ 940	\$ 940
Other	15,000	15,000	15,000	-
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>15,940</u>	<u>940</u>
EXPENDITURES:				
Contractual services	38,975	38,975	31,263	7,712
Total expenditures	<u>38,975</u>	<u>38,975</u>	<u>31,263</u>	<u>7,712</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (23,975)</u>	<u>\$ (23,975)</u>	<u>(15,323)</u>	<u>\$ 8,652</u>
FUND BALANCE:				
Beginning of year			305,332	
End of year			<u>\$ 290,009</u>	