

Santa Clarita Watershed Recreation and Conservation Authority

Financial Report
Year Ended June 30, 2014

Contents

| | |
|---|------|
| Independent Auditor's Report | 1-2 |
| Basic Financial Statements | |
| Government-wide financial statements: | |
| Statement of net position | 3 |
| Statement of activities | 4 |
| Fund financial statements: | |
| Governmental fund statements: | |
| Balance sheet | 5 |
| Reconciliation of the governmental fund balance sheet to the statement of net position | 6 |
| Statement of revenues, expenditures, and changes in fund balance | 7 |
| Reconciliation of the governmental fund statement of revenues, expenditures, and changes in fund balance to the statement of activities | 8 |
| Notes to financial statements | 9-13 |
| Required Supplementary Information (Unaudited) | |
| Budgetary comparison schedule | 14 |
| Note to required supplementary information | 15 |



Independent Auditor's Report

To the Board of Directors
of the Santa Clarita Watershed Recreation and
Conservation Authority
Santa Clarita, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Santa Clarita Watershed Recreation and Conservation Authority (the Authority) as of and for the 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.

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. 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of June 30, 2014, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

McGladrey LLP

Irvine, CA
December 22, 2014

Basic Financial Statements

Government-Wide Financial Statements

Santa Clarita Watershed Recreation and Conservation Authority

Statement of Net Position

June 30, 2014

| Assets | Governmental Activities |
|---|------------------------------------|
| Cash | \$ 33,119 |
| Due From Other Governments | 715,000 |
| Capital Assets | |
| Nondepreciable assets | 9,937,976 |
| Depreciable assets, net | 90,300 |
| Capital assets, net | 10,028,276 |
| Total assets | 10,776,395 |
| Liabilities | |
| Due to Other Funds of the City of Santa Clarita | 715,000 |
| Due to Other Agencies | 13,230 |
| Total liabilities | 728,230 |
| Net Position | |
| Net Investment in Capital Assets | 10,028,276 |
| Unrestricted | 19,889 |
| Total net position | \$ 10,048,165 |

See Notes to Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority

Statement of Activities

For the Year Ended June 30, 2014

| Functions/Programs | Expenses |
|--------------------------------------|----------------------|
| Governmental activities: | |
| Recreation and conservation | \$ 54,465 |
| Total governmental activities | <u>\$ 54,465</u> |
| General revenues: | |
| Investment income | \$ 102 |
| Total general revenues | <u>102</u> |
| Change in net position | <u>(54,363)</u> |
| Change in net position: | |
| Net position, beginning of year | 10,102,528 |
| Net position, end of year | <u>\$ 10,048,165</u> |

See Notes to Financial Statements.

Fund Financial Statements

Santa Clarita Watershed Recreation and Conservation Authority

Balance Sheet
Governmental Fund
June 30, 2014

| Assets | General Fund |
|---|-------------------------|
| Cash | \$ 33,119 |
| Due From Other Governments | 715,000 |
| Total assets | \$ 748,119 |
| Liabilities and Fund Balance | |
| Liabilities | |
| Due to other funds of the City of Santa Clarita | \$ 715,000 |
| Due to other agencies | 13,230 |
| Total liabilities | 728,230 |
| Fund Balance | |
| Unassigned | 19,889 |
| Total fund balance | 19,889 |
| Total liabilities and fund balance | \$ 748,119 |

See Notes to Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2014**

| | | |
|------------------------------------|----|--------|
| Fund balance of governmental funds | \$ | 19,889 |
|------------------------------------|----|--------|

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 governmental funds. Those capital assets consist of:

Nondepreciable assets

9,937,976

Depreciable assets, net of accumulated depreciation

90,300

Net position of governmental activities

\$ 10,048,165

See Notes to Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2014

| | General Fund |
|-----------------------------------|------------------|
| Revenues: | |
| Investment income | \$ 102 |
| | <u>102</u> |
| Expenditures: | |
| Current: | |
| Recreation and conservation | 50,703 |
| Capital outlay | <u>199,769</u> |
| Total expenditures | <u>250,472</u> |
| Net change in fund balance | <u>(250,370)</u> |
| Fund balance, beginning of year | <u>270,259</u> |
| Fund balance, end of year | <u>\$ 19,889</u> |

See Notes to Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority

**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2014**

| | |
|--|--------------|
| Net change in fund balance—total governmental fund | \$ (250,370) |
|--|--------------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over the estimated useful lives as depreciation expense. The following were the amounts of capital outlay and depreciation expense in the current period:

| | |
|----------------------|--------------------|
| Capital outlay | 199,769 |
| Depreciation expense | (3,762) |
| | <u>\$ (54,363)</u> |

See Notes to Financial Statements.

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: The Santa Clarita Watershed Recreation and Conservation Authority (the 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 (the City) and the Santa Monica Mountains Conservancy (the 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 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.

A summary of the Authority's significant accounting policies is as follows:

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

Government-wide financial statements: The Authority's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

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 position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements: The Authority's governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance.

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 sheet. The statement of revenues, expenditures, and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The primary revenue sources are member contributions and investment earnings. 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 considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal period.

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Major fund: The Authority reported the General Fund as the major governmental fund in the accompanying financial statements. The General Fund is the main operating fund and the only fund of the Authority.

Cash: The Authority's cash consists of cash on hand and demand deposits.

Capital assets: Capital assets, which include land and buildings and improvements, are reported in the government-wide financial statements. Capital assets are defined as assets having an initial cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The normal costs of maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

The Authority has assigned the useful lives listed below to capital assets:

| | Useful Lives (Years) |
|----------------------------|-------------------------|
| Buildings and improvements | 10-35 |

The governmental fund financial statements do not present capital assets. Instead, capital asset purchases are reported as capital outlay expense. As such, capital assets are shown as a reconciling item in the reconciliation of the governmental fund balance sheet to the statement of net position.

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. For the year ended, June 30, 2014, there were no member contributions made.

Net position and fund balances:

Government-wide financial statements: In the government-wide financial statements, net position represents the difference between assets and deferred outflows, liabilities and deferred inflows, and is classified into three categories:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and excludes unspent debt proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

Restricted: Represents the net position that is constrained for use by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Unrestricted: Represents the residual of amounts not classified in the other two categories and represents the net equity available for the Authority.

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Fund financial statements: In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable: Include amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Include amounts that are constrained for use by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed: Include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority's highest authority, the Board of Directors. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution.

Assigned: Include amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has not delegated the authority to assign fund balance; therefore, these amounts are determined by the Board of Directors.

Unassigned: Include the residual amounts that have not been restricted, committed or assigned to specific purposes. All of the fund balance is classified as unassigned as of June 30, 2014.

Spending policy:

Government-wide financial statements: When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

Governmental fund financial statements: When expenditures is incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the Authority's policy is to apply in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

Use of estimates: The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect 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.

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Financial Statements

Note 2. Cash

Cash consisted of the following at June 30, 2014:

| | |
|------------|------------------|
| Total cash | <u>\$ 33,119</u> |
|------------|------------------|

Cash deposits: The carrying amount and bank balances of the Authority's cash deposits were \$33,119 at June 30, 2014, 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.

Investments authorized by the California Government Code: Under the provisions of 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 |
|-------------------------------------|---------------------|----------------------------------|--|
| U.S. Treasury obligations | 5 years | No limit | No limit |
| Federal agencies | 5 years | No limit | No limit |
| Time certificate of deposit | 5 years | 30% | 30% |
| Commercial paper | 270 days | 25% | 10% |
| Negotiable certificates of deposit | 5 years | 30% | No limit |
| Repurchase agreements | 1 year | No limit | No limit |
| Reverse repurchase agreements | 92 days | 2% | No limit |
| Corporate notes | 5 years | 30% | No limit |
| Local agency investment fund (LAIF) | N/A | No limit | \$50,000,000 |

The Authority did not purchase, sell or hold any investments during the year ended June 30, 2014.

Santa Clarita Watershed Recreation and Conservation Authority

Notes to Financial Statements

Note 3. Capital Assets

At June 30, 2014, the Authority's capital assets consisted of the following:

| | Balance June 30, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|--------------------------|------------|-----------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,738,207 | \$ 199,769 | \$ - | \$ 9,937,976 |
| Total capital assets, not being depreciated | 9,738,207 | 199,769 | - | 9,937,976 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 138,312 | - | - | 138,312 |
| Total capital assets, being depreciated | 138,312 | - | - | 138,312 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (44,250) | (3,762) | - | (48,012) |
| Total accumulated depreciation | (44,250) | (3,762) | - | (48,012) |
| Total depreciable assets, net | 94,062 | (3,762) | - | 90,300 |
| Total capital assets, net | \$ 9,832,269 | \$ 196,007 | \$ - | \$ 10,028,276 |

Depreciation expense of \$3,762 was charged to recreation and conservation for the year ended June 30, 2014.

Required Supplementary Information (Unaudited)

Santa Clarita Watershed Recreation and Conservation Authority

Note to Required Supplementary Information

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds, except that encumbrances are shown in the year incurred for budgetary purposes. All annual appropriations lapse at fiscal year-end.

At the Board meeting in June of each year, the draft budget is presented by the executive officer to the Governing Board for approval. The appropriated budget is prepared by function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.