

**BALDWIN HILLS REGIONAL
CONSERVATION AUTHORITY**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**



BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Table of Contents

Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
Notes to the Basic Financial Statements	15
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Unaudited)	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Status of Prior Year Finding	27



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Baldwin Hills Regional Conservation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Baldwin Hills Regional Conservation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the basic 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

The Authority's 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 an opinion 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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, and the changes in its 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 management's discussion and analysis on pages 5 through 8 and the required supplementary information on page 24, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018 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.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
May 30, 2018

**BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2017**

The Management's Discussion and Analysis (MD&A) of the financial activities of the Baldwin Hills Regional Conservation Authority (Authority) provides a narrative overview of the Authority's financial activities for the year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements, notes to the basic financial statements, and supplementary information.

FINANCIAL HIGHLIGHTS

- The Authority's assets other than capital assets have decreased \$3.13 million from \$19.45 million as of June 30, 2016 to \$16.32 million as of June 30, 2017.
- The Authority's capital assets balance has decreased \$3.45 million from \$21.81 million as of June 30, 2016, to \$18.36 million as of June 30, 2017.
- The total net position of the Authority has decreased \$9.29 million from \$38.94 million as of June 30, 2016, to \$29.65 million as of June 30, 2017.
- The Authority's total revenues amounted to \$0.32 million for the year ended June 30, 2017. Total revenues have increased \$0.06 compared to \$0.26 million for the year ended June 30, 2016.
- The Authority's total expenditures amounted to \$6.16 million for the year ended June 30, 2017. Total expenditures have increased \$3.57 million compared to \$2.59 million for the year ended June 30, 2016.
- The Authority has no short-term or long-term debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2017**

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all Authority assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources, which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information that indicates how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that may affect cash flows in future periods.

Fund Financial Statements

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The Authority uses separate funds to ensure compliance with fiscal and legal requirements.

The Authority's funds are classified as governmental funds. These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

**BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Authority's budgetary comparison schedule for the year ended June 30, 2017.

FINANCIAL ANALYSIS

As of June 30, 2017, the Authority's net position was \$29.65 million compared to \$38.94 million as of June 30, 2016. The Authority's net position decreased \$9.29 million or 23.86%. Net investment in capital assets accounted for \$18.36 million or 61.92% of the Authority's net position.

Revenues for the year ended June 30, 2017 consist of lease revenue from properties owned by the Authority totaling \$0.13 million and interest income totaling \$0.19 million. Total expenditures in the amount of \$6.16 million for the year ended June 30, 2017 consisted of capital outlays, conservation and educational programs, and administration in the amount of \$6.01 million, \$0.11 million, and \$0.04 million, respectively. Capital outlays consisted of design and construction costs of various capital projects on land owned by other governments and/or capital projects that are not on Authority owned property and that will be maintained by other governments. Revenues for the year ended June 30, 2016 consisted of lease revenue from properties owned by the Authority totaling \$0.11 million and interest income totaling \$0.15 million. Total expenditures in the amount of \$2.59 million for the year ended June 30, 2016 consisted of capital outlays, conservation services, and administration in the amount of \$2.53 million, \$0.03 million, and \$0.03 million, respectively.

CAPITAL ASSETS

As of June 30, 2017, the Authority's capital assets balance consisted of land in the amount of \$18.36 million. During fiscal year 2016-2017, the Authority transferred \$3.45 million of capital projects to other governments.

**BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2017**

ECONOMIC FACTORS

Since inception, the main funding source for the Authority has been the Los Angeles County Regional Park and Open Space District (LACRPOSD), along with interest income and revenue generated from a billboard lease. There are two Propositions that have funded the LACRPOSD through property tax assessments. As of July 1, 2015, one of these Propositions has expired and the remaining Proposition expires on June 30, 2019. On November 8, 2016, Los Angeles County voters approved The Los Angeles County Safe, Clean Neighborhood Parks and Beaches Measure of 2016 (Measure A). Measure A will continue to provide funding for LACRPOSD to support local parks, beaches, open space, and water resources through an annual parcel tax of 1.5 cents per square foot of development. The Authority is expected to receive future grants from the LACRPOSD as a result of this annual parcel tax.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County of Los Angeles, Department of Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$ 16,233,328
Interest receivable	86,443
Capital assets	18,358,477
Total assets	\$ 34,678,248
 LIABILITIES	
Accounts payable	\$ 274,371
Accrued expenses	4,755,858
Total liabilities	5,030,229
 NET POSITION	
Invested in capital assets	18,358,477
Unrestricted	11,289,542
Total net position	29,648,019
 TOTAL LIABILITIES AND NET POSITION	 \$ 34,678,248

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Statement of Activities
Year ended June 30, 2017

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
Governmental activities-			
Baldwin Hills conservation programs	\$ 6,160,031	\$	\$ (6,160,031)
Total	<u>\$ 6,160,031</u>	<u>\$</u>	(6,160,031)
General revenues:			
Interest income			190,527
Lease revenue			<u>128,262</u>
Total general revenues			318,789
Capital projects transferred to other governments			<u>(3,447,829)</u>
Change in net position			(9,289,071)
Net position, beginning of year			<u>38,937,090</u>
Net position, end of year			<u>\$ 29,648,019</u>

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Governmental Fund
Balance Sheet
June 30, 2017

ASSETS

Cash and investments (Note 3)	\$ 16,233,328
Interest receivable	86,443
TOTAL ASSETS	<u>\$ 16,319,771</u>

LIABILITIES

Accounts payable	\$ 274,371
Accrued expenses	4,755,858
TOTAL LIABILITIES	<u>5,030,229</u>

FUND BALANCE

Unassigned	11,289,542
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 16,319,771</u>

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2017

Fund Balance – Governmental Fund	\$ 11,289,542
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 as assets in governmental funds	<u>18,358,477</u>
Net Position - Governmental Activities	<u><u>\$ 29,648,019</u></u>

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2017

REVENUES

Interest income	\$ 190,527
Lease revenue	128,262
Total Revenues	318,789

EXPENDITURES

Conservation and educational programs	109,322
Capital outlays	6,012,609
Administration	38,100
Total Expenditures	6,160,031

NET CHANGE IN FUND BALANCE (5,841,242)

FUND BALANCE, BEGINNING OF YEAR 17,130,784

FUND BALANCE, END OF YEAR \$ 11,289,542

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year ended June 30, 2017

Net Changes in Fund Balance	\$ (5,841,242)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital projects transferred to other governments are not reported as expenditures in governmental funds	<u>(3,447,829)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (9,289,071)</u></u>

See accompanying notes to the basic financial statements.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 1 – REPORTING ENTITY

The Baldwin Hills Regional Conservation Authority (Authority), a separate public entity, was established on April 27, 1999 between the County of Los Angeles and the Santa Monica Mountains Conservancy, an agency of the State of California, to provide for a comprehensive program to acquire, expand, and improve the open space, natural habitat, and recreational opportunities within the Baldwin Hills area; to improve connections between the Baldwin Hills and other natural and recreational areas, including Ballona Creek; and for the conservation and protection of natural habitat restoration, environmental enhancement of the Baldwin Hills area, and protection of the Ballona Creek watershed and water quality.

The Authority is governed by a Governing Board composed of five (5) members:

- The member of the County Board of Supervisors representing the majority of the area encompassed by the Baldwin Hills, or his or her designee, who shall serve as Chairperson.
- The Director of the Los Angeles County Department of Parks and Recreation or his designee, who shall serve as Vice Chairperson.
- Two public members appointed by Santa Monica Mountains Conservancy neither of whom shall be employees thereof.
- One public member who shall be nominated by the Chairperson and Vice Chairperson and confirmed by the County Board of Supervisors and by Santa Monica Mountains Conservancy.

The accompanying financial statements reflect the financial activities of the Authority. The Authority has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Measurement Focus

The Authority's basic financial statements are prepared in conformity with generally accepted accounting principles in the United States. 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.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The Authority's government-wide financial statements include a statement of net position and statement of activities. 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, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

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.

Amounts expended to acquire capital assets and to design and construct capital projects are recorded as capital outlays in the year that resources were expended rather than recording them as fund assets.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Accounting and Measurement Focus (Continued)

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

B. Cash, Pooled Cash, and Investments

Cash includes amounts to conduct daily operations of the Authority in demand deposits with the Los Angeles County Treasurer and Tax Collector (TTC). The Authority deposits all of its cash with TTC. The Authority's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which TTC manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investments in the pool during the allocation period. See Note 3 for additional information.

C. Capital Assets

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The reported value excludes cost in relation to capital projects on land owned by other governments and/or capital projects that are not on Authority owned property that will be maintained by other governments.

Land consists of open space acquired in accordance with the joint powers agreement that created the Authority. When land is sold or otherwise disposed of, related costs are removed from the accounts and any gain or loss is reported in the statement of revenues, expenses, and changes in fund balances. See Note 4 for additional information.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position and Fund Balance Classifications

Net position represents the difference between assets and liabilities on the government-wide financial statements. Net position is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2017, the Authority had no debt obligations.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation. The Authority had no restricted net position for fiscal year ending June 30, 2017.

Unrestricted net position

This category represents the residual net position of the Authority in excess of what can properly be classified as “net investment in capital assets” as defined above.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts can be spent.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Net Position and Fund Balance Classifications (Continued)

The fund balance classifications used in the governmental fund financial statements are as follows:

Nonspendable – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. The Authority had no nonspendable fund balance for fiscal year ending June 30, 2017.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Authority had no restricted fund balance for fiscal year ending June 30, 2017.

Committed – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Directors, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or modifies the use through the adoption of a subsequent resolution. As of June 30, 2017, the Authority had no committed fund balance.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Authority's adopted policy requires the Board of Directors to assign amounts to specific purposes. As of June 30, 2017, the Authority had no assigned fund balance.

Unassigned – this classification includes the residual fund balance. The Authority has only unassigned fund balance as of June 30, 2017.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

In accordance with the California Government Code, cash balances of the Authority are deposited with and pooled and invested by TTC for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily balance during the allocation period. The Authority's cash and investments balance as of June 30, 2017 was \$16,233,328.

California Government Code Sections 53601, 53635 and 53534 authorize TTC to invest the External Investment Pool (Pool) and Specific Purpose Investments (SPI) funds in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. The investments are managed by TTC, which reports investment activity to the Board of Supervisors on a monthly basis. In addition, TTC investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. TTC also maintains Other Specific Investments, which are invested pursuant to the California Government Code.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments are stated at fair value and are valued on a monthly basis. TTC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix Pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investment policies and associated risk factors applicable to the Authority are included in the County of Los Angeles' Comprehensive Annual Financial Report for the year ended June 30, 2017. Detailed deposit and investment risk disclosures are included in Note 5 of the County of Los Angeles' Comprehensive Annual Financial Report.

NOTE 4 - CAPITAL ASSETS

Capital activities for the fiscal year ended June 30, 2017 is as follows:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Capital assets:				
Land	\$ 18,358,477	\$	\$	\$ 18,358,477
Construction in progress	<u>3,447,829</u>		<u>(3,447,829)</u>	
Total capital assets	<u>\$ 21,806,306</u>	<u>\$</u>	<u>\$ (3,447,829)</u>	<u>\$ 18,358,477</u>

The deletions of construction in progress in the amount of \$3,447,829 represent construction projects that are on land owned by other governments and/or are not on Authority owned property and that will be maintained by other governments.

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

NOTE 5 - RELATED PARTY TRANSACTIONS

The Authority's cash and investments are pooled and invested by TTC. Interest income amounted to \$190,527 for the year ended June 30, 2017 and interest receivable was \$86,443 as of June 30, 2017. During fiscal year 2016-2017, the Authority contracted with the County Department of Parks and Recreation for various construction projects and the total costs of these projects amounted to \$4,549,449 for the year ended June 30, 2017. The County also provides legal services to the Authority. Total legal fees amounted to \$14,081 for the year ended June 30, 2017. As of June 30, 2017, the total payable to the County is \$4,516,416. In addition, the County maintains the books and records of the Authority without charges.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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 the fiscal year ending June 30, 2017 in the opinion of the Authority's management, there were no additional outstanding matters that would have a significant effect on the financial position of the Authority.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through May 30, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year ended June 30, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest income	\$ 80,000	\$ 80,000	\$ 190,527	\$ 110,527
Lease revenue			128,262	128,262
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>318,789</u>	<u>238,789</u>
EXPENDITURES				
Conservation and educational programs	180,000	180,000	109,322	70,678
Parcel maintenance	60,000	60,000		60,000
Capital outlay	18,502,000	18,502,000	6,012,609	12,489,391
Administration	100,000	100,000	38,100	61,900
Total expenditures	<u>18,842,000</u>	<u>18,842,000</u>	<u>6,160,031</u>	<u>12,681,969</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(18,762,000)	(18,762,000)	(5,841,242)	12,920,758
FUND BALANCE, BEGINNING OF YEAR	<u>17,130,784</u>	<u>17,130,784</u>	<u>17,130,784</u>	
FUND BALANCE, END OF YEAR	<u><u>\$ (1,631,216)</u></u>	<u><u>\$ (1,631,216)</u></u>	<u><u>\$ 11,289,542</u></u>	<u><u>\$ 12,920,758</u></u>

Note to Required Supplementary Information:

The Authority prepares an annual budget which is adopted by the Board of Directors. The Authority monitors and controls expenditures on a budgetary basis. The current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Baldwin Hills Regional Conservation Authority

We have audited, 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, the financial statements of the Baldwin Hills Regional Conservation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in purple ink that reads "Simpson & Simpson".

Los Angeles, California
May 30, 2018

BALDWIN HILLS REGIONAL CONSERVATION AUTHORITY
STATUS OF PRIOR YEAR FINDING
Year Ended June 30, 2017

Finding No. 2016-01- Internal Controls over Capital Assets (Material Weakness)

Based on our audit of fiscal year 2015-2016, we noted that the Authority did not have policies and procedures in place for recording financial transactions relating to capital assets. The Authority was able to provide a capital asset listing; however, the listing did not agree with the capital assets balance. This was a finding noted in prior year's audit. We also noted that certain construction costs were not originally capitalized as construction in progress. However, a subsequent entry was made to correct the balance.

Recommendation

We recommend that the Authority should maintain a detailed listing of capital assets, since the nature of their operations involves land acquisitions and developments. Maintaining a capital assets listing will assist the Authority in proper accountability of their assets. Also, the capital assets listing should be reconciled to the capital assets balance.

Authority's Response

The Authority has developed a capital asset listing and it has been reconciled to the capital assets balance. Authority staff will continue to update the listing.

Current Status

Recommendation has been implemented.