

**PUENTE HILLS  
HABITAT PRESERVATION AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**June 30, 2016**

PUENTE HILLS HABITAT PRESERVATION AUTHORITY  
JUNE 30, 2016

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## Independent Auditor's Report

To the Honorable Board of Directors  
Puente Hills Habitat Preservation Authority  
Whittier, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Puente Hills Habitat Preservation Authority (the "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 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 respective financial position of the Authority, as of June 30, 2016, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 1 to the basic financial statements, effective July 1, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

## **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 3 and 4 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 April 25, 2017 on our consideration of the Authority's internal control over financial reporting and 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  
April 25, 2017

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

Management's discussion and analysis (MD&A) of the Puente Hills Habitat Preservation Authority (the Authority) provides a narrative overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the accompanying financial statements, footnotes, and supplementary information.

**Financial Highlights**

- During the current fiscal year, the Authority's net position increased by \$6.89 million to \$75.13 million.
- The Authority has investments of \$20.7 million in various government securities that have interest rates ranging from 3.00% to 3.20%.
- Operating revenues increased by \$6.92 million to \$7.01 million while operating expenses increased by \$149,000 to \$1.32 million.
- During the current fiscal year, the Authority did not acquire any capital assets.

**Overview of Financial Statements**

This MD&A serves as an introduction to the Authority's basic financial statements. The basic financial statements include four components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Basic Financial Statements.

- The Statement of Net Position presents all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., accrued but unpaid contract and professional service fees).
- The Statement of Cash Flows presents information regarding the Authority's use of cash during the fiscal year and is an indicator of whether or not sufficient cash flow is being generated during the fiscal year to meet the operating needs of the Authority.
- The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

**Financial Statement Analysis**

Since its formation, Net Position of the Authority has gradually grown from \$1.8 million to over \$75.13 million. Most of the growth in Net Position has been attributable to the Authority's acquisition of land and related capital assets. Operating revenues increased this year from \$83,000 as of June 30, 2015, to \$7.01 million as of June 30, 2016. The increase was due to revenue received from Southern California Edison (SCE) to be used by the Authority to perform site mitigation on property owned by the Authority. The only other source of revenue is from interest on the Authority's specific portfolio investments, ranger tickets, oil rights revenue, and donations. Operating expenses consist primarily of contract and professional service fees, salaries and benefits, administrative expenses, and the depreciation on capital assets.

As of June 30, 2016, the Authority's Net Position was \$75.13 million compared to \$68.24 million as of June 30, 2015, an increase of 10.10%. Investments in Capital Assets accounted for \$34.76 million of the total Net Position. Liabilities as of June 30, 2016, were \$0.44 million compared to \$0.25 million as of June 30, 2015.

**Capital Assets**

As of June 30, 2016, the Authority's capital assets consisted of \$34.63 million in land, \$428,000 in buildings, construction in progress of \$74,000, and accumulated depreciation of \$381,000. During the fiscal year ended June 30, 2016 the Authority did not acquire any capital assets.

**Debt Administration**

As of June 30, 2016, the Authority had no outstanding debt.

**Economic Factors**

The Authority is actively seeking additional revenue streams such as environmental mitigation fees from regional projects and grants. With the conservation easement recording associated with the SCE mitigation project, the Authority invested \$1.2 million into its long-term endowment. Also, the Authority received approval for a grant from CalFire in the amount of \$9,387 per year for two years for fuel clearance. Reimbursements should begin in fiscal year 2016-17.

**Contacting the District'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.

**Puente Hills Habitat Preservation Authority**  
**Statement of Net Position**  
**June 30, 2016**

**Assets**

Cash on deposit with County Treasurer (Note 2)	\$	19,698,007
Restricted cash on deposit with County Treasurer (Note 2)		263,179
Investments (Note 2)		20,726,982
Receivables:		
Accrued interest		25,564
Accounts receivable		62,900
Prepaid expense		44,296
Capital Assets: (Note 4)		
Land - nondepreciable		34,629,281
Buildings and improvements		428,480
Construction in progress (CIP) - nondepreciable		74,387
Accumulated depreciation		(381,344)
<b>Total Assets</b>		75,571,732

**Liabilities**

Accrued expenses		438,045
<b>Total Liabilities</b>		438,045

**Net Position**

Net investment in capital assets		34,750,804
Restricted		263,179
Unrestricted		40,119,704
<b>Total Net Position</b>	<b>\$</b>	75,133,687

See accompanying notes to the basic financial statements

**Puente Hills Habitat Preservation Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

**Operating Revenues:**

Governmental Agencies	\$	21,939
Site Mitigation		6,898,638
Miscellaneous		85,071
<b>Total Operating Revenues</b>		7,005,648

**Operating Expenses:**

Contract and Professional Service Fees	777,363
Salaries and Benefits	375,448
Insurance	57,585
Rent (Note 5)	9,326
Depreciation (Note 4)	21,424
Treasurer Tax Collector - Management Fees	14,851
Auditor-Controller Services	27,000
Utilities, Supplies, and Other Charges	39,632
<b>Total Operating Expenses</b>	1,322,629

<b>Operating Income</b>	5,683,019
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**Non-Operating Revenues:**

Interest on Deposited Funds	86,290
Investment Income	1,120,603
<b>Total Non-Operating Revenues</b>	1,206,893

<b>Change in Net Position</b>	6,889,912
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<b>Net Position, beginning of the fiscal year</b>	68,243,775
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<b>Net Position, end of the fiscal year</b>	\$ 75,133,687
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See accompanying notes to the basic financial statements



**Puente Hills Habitat Preservation Authority**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2016**

<b>Cash Flows from Operating Activities:</b>	
Cash received from other agencies	\$ 6,987,396
Cash paid to employees for services	(317,637)
Cash paid to suppliers for goods and services	(794,652)
<b>Net Cash Provided by Operating Activities</b>	<u>5,875,107</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Construction in progress (CIP)	(74,387)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(74,387)</u>
<b>Cash Flows from Investing Activities:</b>	
Sale of Investments (Note 2)	9,802,047
Investment income	1,120,603
Interest received	46,101
<b>Net Cash Provided by Investing Activities</b>	<u>10,968,751</u>
<b>Net Increase in Cash</b>	16,769,471
<b>Cash Deposited with County Treasurer, Beginning of Fiscal Year</b>	<u>3,191,715</u>
<b>Cash Deposited with County Treasurer, End of Fiscal Year</b>	<u>\$ 19,961,186</u>
<b>Reconciliation of Cash Deposited with County Treasurer to amounts reported on the statement of net position</b>	
Cash on deposit with County Treasurer	\$ 19,698,007
Restricted cash on deposit with County Treasurer (Note 2)	263,179
	<u>19,961,186</u>
Cash Deposited with County Treasurer, End of Fiscal Year	<u>\$ 19,961,186</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 5,683,019
Adjustments to reconcile change in operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	21,424
Change in assets and liabilities	
Increase in accounts receivable	(18,252)
Increase in prepaid expense	(1,120)
Increase in accrued expenses	190,036
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 5,875,107</u>

See accompanying notes to the basic financial statements

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**PUEENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Puente Hills Habitat Preservation Authority (Authority) was formed on February 15, 1994, as a joint powers authority by the County of Los Angeles, certain County Sanitation Districts, and the City of Whittier. The Authority was established for the purpose of acquiring, restoring, and/or maintaining additional open space lands in the La Puente/Whittier Hills area in order to create or preserve native habitat areas. In addition, it serves to mitigate impact on oak tree resources and natural open space resulting from the operation of the Puente Hills Landfill and to provide for the eventual transfer or dedication of such native habitat areas and maintenance of funds to an appropriate agency. The term of the Authority will continue indefinitely unless cancelled by the County of Los Angeles, certain County Sanitation Districts, and the City of Whittier.

The Authority is governed by a Board of Directors composed of four appointed directors: one by the Board of Directors of the Sanitation Districts, one by the County of Los Angeles, one by the supervisor representing the Fourth Supervisorial District which geographically includes the Puente Hills Landfill, and one by the City of Whittier. The Authority is legally separate and fiscally independent from each of the member entities. This means it can incur debt, set and modify its own budget and fees, enter into contracts, and sue and be sued in its own name.

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

**B. Significant Accounting Policies**

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Measurement Focus

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the Authority are donations and site mitigation fees. Operating expenses include administrative expenses and contract and professional service fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The Authority's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities and Statement No. 63 established standards for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position. The net position is required to classify into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted net position* – This component of net position represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources.

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. Significant Accounting Policies (Continued)**

*Unrestricted net position* – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**C. New Accounting Pronouncements**

The following GASB Statements have been implemented in the current basic financial statements.

GASB 72	Fair Value Measurement and Application	Addresses accounting and financial issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes. This statement had an impact on the financial statements. Refer to note 2.
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**D. Future Accounting Pronouncements**

GASB Statements listed below will implemented in future financial statements.

Statement No. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provision of this statement are 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 are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provision of this statement are 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 are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provision of this statement are 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 are effective for fiscal years beginning after December 15, 2015.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement are 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 are effective for fiscal years beginning after December 15, 2017.

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**E. Revenue Recognition**

Revenue is recognized on the accrual basis of accounting and donation revenue is recognized according to the conditions of the promise.

**F. Land**

Acquisition of land and buildings and improvements are recorded at cost or, if donated, at fair value at date of donation. Land basically consists of open space acquired in accordance with the joint powers agreement that created the Authority. Buildings and improvements consist of houses and improvements that were located on the land at the time of purchase or donation. When land and buildings and improvements are 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 net position.

**G. 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 the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

**NOTE 2 CASH ON DEPOSIT WITH COUNTY TREASURER**

In accordance with the Joint Powers Authority agreement and Government Code, cash balances of the Authority are deposited with and pooled and invested by the Los Angeles County Treasurer and Tax Collector (Treasurer) 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.

Statutes authorize the County of Los Angeles to invest pooled investments 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

**PUEENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

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.

***Disclosures Relating to Interest Rate Risk***

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

Statement of Net Position:

Cash and investments	\$ 40,688,168
Total cash and investments	\$ 40,688,168

Cash and investments as of June 30, 2016 consist of the following:

Cash and investments with County Treasurer	\$ 19,698,007
Restricted cash on deposit with County Treasurer	263,179
Investments	20,726,982
Total cash and investments	\$ 40,688,168

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 value of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in Months)		
		12 Months or Less	13 - 24 Months	More than 60 Months
Cash and Investments with County Treasurer	\$ 19,961,186	\$ 19,961,186	\$ -	\$ -
Federal Agency Securities	20,726,982	-	-	20,726,982
Total	\$ 40,688,168	\$ 19,961,186	\$ -	\$ 20,726,982

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

***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 or the Authority's investment policy, and the actual rating as of fiscal year end for each investment type (Standard & Poor's).

Investment Type	Fair Value	Minimum Legal Rating	Ratings as of Year End			
			AAA	AA+	AA, AA-, A+, A-	Not Rated
Cash and Investmentes in County Treasurer	\$ 19,961,186	N / A	\$ -	\$ -	\$ -	\$ 19,961,186
Federal Agency Securities	20,726,982	N / A		20,726,982		
<b>Total</b>	<b>\$ 40,688,168</b>		<b>\$ -</b>	<b>\$ 20,726,982</b>	<b>\$ -</b>	<b>\$ 19,961,186</b>

***Concentration of Credit Risk***

The investment policy of the Authority contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments (other than external investment pools) in any one issuer that represent 5% or more of total Authority's investments are as follows:

Issuer	Investment Type	Reported Amount	Maturity	Interest Rate
Federal National Mortgage Association	Federal Agency Securities	\$ 3,976,000	2032	3.20%
Federal Home Loan Bank	Federal Agency Securities	11,200,000	2031-2036	3.00%-3.125%
Federal Farm Credit Bank	Federal Agency Securities	5,000,000	2031	3.00%

Investments are stated at fair value and are valued on a monthly basis. The Treasurer 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 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. Investments in an external government investment pool are not subject to reporting within the level hierarchy.

See the County of Los Angeles' Comprehensive Annual Financial Report for disclosures related to cash and investments and the related interest rate risk, credit rate risk, custodial risk, and concentration risk.



**PUEENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 2 CASH ON DEPOSIT WITH COUNTY TREASURER (Continued)**

Funds deposited in the Los Angeles County Treasury Pool amounted to \$19,961,186 as of June 30, 2016; however, this external pool is not measured under Level 1, 2, or 3. This represents less than 0.01% of the total Treasury Pool.

***Fair Value Measurements***

The Authority categorizes its fair value measurement 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 a 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 on unobservable sources.

The Authority has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Agency Securities	\$ 20,726,982	\$ -	\$ 20,726,982	\$ -
Total investments measured at fair value	<u>\$ 20,726,982</u>	<u>\$ -</u>	<u>\$ 20,726,982</u>	<u>\$ -</u>

The investment activity of the Authority with the Los Angeles County Treasurer occurs separately from the County's investment pool and is reported as a Specific Purpose Investment on behalf of the Authority.

**NOTE 3 NET POSITION**

Net position at June 30, 2016 consisted of the following:

Net Investment in Capital Assets	\$ 34,750,804
Restricted Net Position	263,179 *
Unrestricted Net Position	<u>40,119,704</u>
Total Net Position	<u>\$ 75,133,687</u>

\*Under the purchase agreement for the Brearley/Malkenhorst/Turnbull Property, the Authority agreed to pledge \$263,179 of the funds on deposit with the County Treasurer as security for obligations, including street improvements that would need to be made in the event that the property ceases to be used for open space, habitat restoration, or other biological preservation activities consistent with open space management, and passive recreational use.

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 4 CAPITAL ASSETS**

For the fiscal year ended June 30, 2016, there were no disposals or donations of capital assets. Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Capital Assets, Non-depreciable:				
Land (Acquired by the Authority)	\$ 34,108,887	\$ -	\$ -	\$ 34,108,887
Land (Donated to the Authority)	520,394			520,394
Construction in progress (CIP)		74,387		74,387
<b>Total Capital Assets, Non-depreciable</b>	<b>34,629,281</b>	<b>74,387</b>		<b>34,703,668</b>
Capital Assets, Depreciable:				
Buildings and improvements	428,480			428,480
Accumulated depreciation	(359,920)	(21,424)		(381,344)
<b>Total Capital Assets, Depreciable</b>	<b>68,560</b>	<b>(21,424)</b>		<b>47,136</b>
<b>Total Capital Assets, net</b>	<b>\$ 34,697,841</b>	<b>\$ 52,963</b>	<b>\$ -</b>	<b>\$ 34,750,804</b>

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 CAPITAL ASSETS (Continued)**

Capital assets, at cost, or fair value at the time of donation, for the fiscal year ended June 30, 2016, consist of the following:

<u>Property Name</u>	<u>Land Amount</u>	<u>Building Amount</u>	<u>Construction In Progress</u>
<b>Assets Acquired by the Authority</b>			
a. Powder Canyon	\$ 2,402,197	\$ -	\$ -
b. Hacienda Hills Property	790,467		
c. Unocal Properties	46,524		
d. Davies Property	726,100		
e. Weisel/Sanders Property	352,363	300,000	
f. Old Coach Property	3,616,020		
g. Pellkofer Properties	236,699		
h. Lim Property	450,875		
i. Roberts/Pellkofer Property	769,550		
j. Huang/Chen Property	481,921		
k. Newbre II Property	501,868		
l. Shuey Property	75,877		
m. Canlas Property	396,151		
n. Rose Hills Foundation Property	14,219,006		
o. Kou Property	650,854		
p. Javaid Property	2,204,100		
q. Viola Berg Property	355,737		
r. Public Works Property - La Habra Heights	342,689		
s. Gibson Property	790,440		
t. Ranney Property	2,729		
u. Brearley/Malkenhorst/Turnbull Property	2,124,500		
v. Corona Property	438,175		
w. Maico Property	601,200		
x. Sycamore Canyon Property	1,505,032	128,480	
y. Parcel No. 8239-045-018 in La Habra Heights	3,987		
z. Parcel No. 8239-045-016	21,026		
aa. Easement on Parcel No. 8126-024-004	2,800		
bb. Hellman Park Trailhead Improvement (Fence)			74,387
Total Assets Acquired by the Authority	<u>34,108,887</u>	<u>428,480</u>	<u>74,387</u>
<b>Assets donated to the Authority</b>			
a. Benson Ford Donation	104,000		
b. J. Grimont Donation	100,000		
c. Newbre Property	316,394		
Total Assets Donated to the Authority	<u>520,394</u>		
Total Capital Assets as of June 30, 2016	<u>\$ 34,629,281</u>	<u>\$ 428,480</u>	<u>\$ 74,387</u>

**PUENTE HILLS HABITAT PRESERVATION AUTHORITY**  
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**NOTE 5 COMMITMENTS AND CONTINGENCIES**

The Authority leases its office space from the City of Whittier. In September 2012, the Authority signed a lease renewal for the office space in the City of Whittier. This lease renewal agreement is effective from September 1, 2012 through August 31, 2017. Rent expense for the fiscal year June 30, 2016 amounted to \$9,326. The Authority personnel are employees of the City of Whittier. Their CalPERS benefits and related pension liabilities are disclosed in the City of Whittier's financial statements. The rent commitment through August 31, 2017 was \$8,855.

**NOTE 6 CONTINGENT LIABILITIES**

Claims and suits have been filed against the Authority in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the Authority.