

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Basic Financial Statements
With Independent Auditor's Report
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for 2018)



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

**LOS ANGELES COUNTY
REGIONAL PARK AND OPEN SPACE DISTRICT**

Basic Financial Statements with Independent Auditor's Report
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for 2018)

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (Unaudited)..... | 4 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position..... | 8 |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Balance Sheet | 10 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 12 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 13 |
| Notes to the Basic Financial Statements | 14 |
| Required Supplementary Information: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 29 |
| Notes to Required Supplementary Information..... | 30 |
| Other Supplementary Information | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund..... | 33 |

**LOS ANGELES COUNTY
REGIONAL PARK AND OPEN SPACE DISTRICT**

Basic Financial Statements with Independent Auditor's Report
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for 2018)

Table of Contents
(Continued)

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 34 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Los Angeles County Regional Park and Open Space District
Los Angeles, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Los Angeles County Regional Park and Open Space District (the District), a component unit of the County of Los Angeles, as of and for the fiscal year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

The District's management is responsible for the preparation and fair presentation of these basic 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 the basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2019, 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

Prior Year Comparative Information

We have previously audited the District's June 30, 2018 basic financial statements, and we expressed an unmodified audit opinion on those audited basic financial statements in our report dated December 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019 is consistent, in all material respects, with the audited basic financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and budgetary comparison information of the General Fund on page 32 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule of the Debt Service Fund is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule of the Debt Service Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the District'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 District's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, California
December 3, 2019

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) For the Fiscal Year Ended June 30, 2019

Management's discussion and analysis of the Los Angeles County Regional Park and Open Space District (the District) provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying basic financial statements, footnotes, and supplementary information.

Financial Highlights

- As more fully explained in the government-wide financial analysis below and in footnote 2 to the financial statements, the District's net position was \$406.7 million at June 30, 2019, an increase of \$83.5 million from the previous year.
- The District's General Fund balance increased by \$84.0 million to \$404.0 million.
- The District reduced its outstanding debt during fiscal year 2018-2019 by \$13.9 million.

Financial Statement Overview

This discussion and analysis consist of a series of basic financial statements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, this report contains required supplementary information and an additional supplementary schedule.

Government-wide financial statements: The government-wide financial statements are designed to provide a broad overview of the District's activities and present a longer-term view of the District's finances.

- The Statement of Net Position presents all of the District's assets and deferred outflows of resources, reduced by liabilities, which represents net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the District is improving or deteriorating.
- The Statement of Activities presents information showing how the District'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. uncollected assessment revenues, and accrued but unpaid interest expense).

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District are Governmental fund types.

- Governmental Funds - All of the District's activities are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) For the Fiscal Year Ended June 30, 2019

other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed view of the District's operations. Governmental fund information helps to determine the amounts of financial resources used to finance the District's programs.

The fund financial statements can be found on pages 10 and 12 of this report. Net position/fund balance differences between the government-wide and fund statements are highlighted on page 11 and are primarily the result of the inclusion of bonds payable, unamortized bond premium and refunding charges, accrued interest on bonds payable, and the exclusion of unearned revenue from the government-wide liabilities.

The difference between the changes in net position/fund balances on the government-wide versus fund financial statements is highlighted on page 13 and is primarily the result of reporting the repayment of bond principal, the amortization of bond premium and refunding charges, and accrued interest on bonds payable.

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

Government-wide Financial Analysis

Our government-wide analysis focuses on the net position (Table 1) and changes in net position (Table 2) for the District's governmental activities.

Table 1
Net Position
(in Thousands)

| | Governmental Activities | |
|---|------------------------------------|-----------|
| | Summary of Statement of Activities | |
| | FY 2019 | FY 2018 |
| Current and other assets | \$427,422 | \$359,264 |
| Total assets | | |
| Deferred outflows of resources | - | 981 |
| Long-term debt outstanding | 14,610 | 28,506 |
| Other liabilities | 6,110 | 8,505 |
| Total liabilities | 20,720 | 37,011 |
| Net Position: | | |
| Restricted for debt service | 14,324 | 27,229 |
| Restricted for maintenance and servicing | 27,761 | 42,787 |
| Restricted for park and open space preservation | 364,617 | 253,218 |
| Total net position | 406,702 | 323,234 |

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the government-wide statements reflect a liability for the \$14.6 million in outstanding bonds issued to finance grants made to other governmental agencies, but does not permit the recognition of assets for future assessment revenues

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) For the Fiscal Year Ended June 30, 2019

that are pledged for the annual debt service payments on the bonds. Amounts distributed to the cities and other eligible entities are recorded as expenses by the District and no capital assets are recorded. This fiscal year, the Statement of Net Position reflected positive net position for the eighth consecutive fiscal year, in the amount of approximately \$406.7 million.

Total assets of the District increased by 19.0% from the prior fiscal year to \$427.4 million due to a \$68.4 million increase in pooled cash and investments, a \$0.2 million increase in interest receivable, and a \$3.3 million increase in other receivable offset by a \$0.6 million decrease in assessments receivable. This does not include the decrease of \$1.0 million in the total deferred outflow of resources, which is due to the \$1.0 million decrease in the deferred loss on refunding, as a result of normal amortization.

Total liabilities of the District decreased by 44.0% from the prior fiscal year to \$20.7 million due primarily to a \$13.9 million decrease in long-term liabilities (bonds payable) partially offset by a \$1.1 million decrease in project related expenditure accruals and interest payable.

Total net position increased \$83.5 million to \$406.7 million due to an increase in total revenues (\$9.7 million increase in investment income and \$6.0 million decrease in assessment revenue and other revenue) over total expenses (\$26.0 million decrease in recreation and cultural services and interest expense).

Table 2
Changes in Net Position
(in Thousands)

| | Governmental Activities | |
|----------------------------------|------------------------------------|------------|
| | Summary of Statement of Activities | |
| | FY 2019 | FY 2018 |
| <u>Revenues</u> | | |
| General revenues | | |
| Taxes and assessments | \$ 119,363 | \$ 125,003 |
| Investment income | 11,856 | 2,148 |
| Other revenue | 111 | 422 |
| Total revenues | 131,330 | 127,573 |
| <u>Expenses</u> | | |
| Recreation and cultural services | 46,948 | 72,234 |
| Interest expense | 914 | 1,623 |
| Total expenses | 47,862 | 73,857 |
| Increase in net position | \$ 83,468 | \$ 53,716 |

Total revenues increased by \$3.8 million resulting from an increase of \$9.7 million in investment income offset by a \$6.0 million decrease in assessment revenue and other revenue. The District spent \$25.3 million less on park improvements and maintenance in the current fiscal year and interest expense on bonds decreased by \$0.7 million.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) For the Fiscal Year Ended June 30, 2019

Fund Statements Financial Analysis

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$418.4 million, an increase of \$70.9 million from the prior fiscal year. Current fiscal year revenues from the governmental funds were \$131.7 million, an increase of 2.8% from the previous fiscal year as a result of the increase in investment revenue of \$9.7 million. Expenditures in the current fiscal year were \$60.9 million, a decrease of 29.3% from the previous fiscal year.

Debt Management

At June 30, 2019, the District had Bonds Payable (including bond premium) of \$14.6 million, the proceeds of which are being used to fund various park improvement projects and a debt service reserve fund. The debt service payments for the bonds related to the 1992 Proposition are secured by the District's Reserve Fund Balance. The debt service payments for the bonds related to the 1996 Proposition are secured by the District's annual benefit assessment to each assessable parcel as approved by the voters in 1996. The District reduced its outstanding debt by \$13.9 million during fiscal year 2018-2019.

Budgets

No material adjustments were made to the District's original General Fund or Debt Service Fund budgets. During fiscal year 2018-2019 the District again spent much less than the amount budgeted for park grants, projects, and maintenance.

Economic Factors

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 the RPOSD to support local parks, beaches, open space, and water resources. Measure A is expected to generate approximately \$100 million in fiscal year 2019-2020 through an annual parcel tax of 1.6 cents per square foot of development.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District'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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF NET POSITION
 June 30, 2019
 (With Comparative Totals for 2018)
 (Amounts expressed in thousands)

| | <u>Governmental Activities</u> | |
|---|--------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| ASSETS | | |
| Pooled cash and investments (Note 6) | \$ 420,875 | \$ 352,467 |
| Assessments receivable | 2,048 | 5,922 |
| Interest receivable | 1,094 | 875 |
| Other receivables | 3,277 | - |
| Due from other funds | 128 | - |
| Total Assets | <u>427,422</u> | <u>359,264</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred loss on debt refunding | - | 981 |
| Total deferred outflows of resources (Note 7) | <u>-</u> | <u>981</u> |
| Total assets and deferred outflows of resources | <u>427,422</u> | <u>360,245</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 616 | 1,515 |
| Accrued interest payable | 173 | 338 |
| Due to Los Angeles County (Note 5) | 5,321 | 6,652 |
| Non-current liabilities: | | |
| Due within one year | 14,610 | 13,259 |
| Due in more than one year | - | 15,247 |
| Total liabilities | <u>20,720</u> | <u>37,011</u> |
| NET POSITION | | |
| Restricted for: | | |
| Debt Service | 14,324 | 27,229 |
| Maintenance and servicing | 27,761 | 42,787 |
| Park and open space preservation | 364,617 | 253,218 |
| Total net position | <u>\$ 406,702</u> | <u>\$ 323,234</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2019 (With Comparative Totals for 2018) (Amounts expressed in thousands)

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | |
|-------------------------------------|------------------|-------------------------|---|--------------------------------------|---|-------------------|
| | Expenses | Charges for Services | Operating Contributions and Grant | Capital Contributio and Grants | Governmental Activities | |
| | | | | | 2019 | 2018 |
| Governmental activities: | | | | | | |
| Recreation and cultural services | \$ 46,948 | \$ - | \$ - | \$ - | \$ (46,948) | \$ (72,234) |
| Interest expense | 914 | - | - | - | (914) | (1,623) |
| Total | <u>\$ 47,862</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(47,862)</u> | <u>(73,857)</u> |
| General Revenues: | | | | | | |
| Taxes and assessment revenue | | | | | 119,363 | 125,003 |
| Investment income | | | | | 11,856 | 2,148 |
| Other revenue | | | | | 111 | 422 |
| Total general revenues | | | | | <u>131,330</u> | <u>127,573</u> |
| Change in net position | | | | | 83,468 | 53,716 |
| Net position, beginning of year | | | | | <u>323,234</u> | <u>269,518</u> |
| Net position, end of year | | | | | <u>\$ 406,702</u> | <u>\$ 323,234</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2019 (With Comparative Totals for 2018) (Amounts expressed in thousands)

| | General | Debt Service | Totals | |
|--|-------------------|------------------|-------------------|-------------------|
| | Fund | Fund | 2019 | 2018 |
| Assets | | | | |
| Pooled cash and investments (Note 6) | \$ 406,553 | \$ 14,322 | \$ 420,875 | \$ 352,467 |
| Assessments receivable | 2,048 | - | 2,048 | 5,922 |
| Interest receivable | 1,092 | 2 | 1,094 | 875 |
| Other receivables | 3,277 | - | 3,277 | - |
| Due from other funds | 128 | - | 128 | - |
| Total Assets | <u>\$ 413,098</u> | <u>\$ 14,324</u> | <u>\$ 427,422</u> | <u>\$ 359,264</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 616 | \$ - | \$ 616 | \$ 1,515 |
| Due to Los Angeles County (Note 5) | 5,321 | - | 5,321 | 6,652 |
| Total liabilities | <u>5,937</u> | <u>-</u> | <u>5,937</u> | <u>8,167</u> |
| Deferred Inflows of Resources: | | | | |
| Unearned revenue-property taxes (Note 7) | 3,098 | - | 3,098 | 3,504 |
| Total deferred inflows of resources | <u>3,098</u> | <u>-</u> | <u>3,098</u> | <u>3,504</u> |
| Total liabilities and deferred inflows of resources | <u>9,035</u> | <u>-</u> | <u>9,035</u> | <u>11,671</u> |
| Fund balances | | | | |
| Nonspendable | 404,063 | - | 404,063 | - |
| Restricted | - | 14,324 | 14,324 | 347,593 |
| Total fund balances | <u>404,063</u> | <u>14,324</u> | <u>418,387</u> | <u>347,593</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 413,098</u> | <u>\$ 14,324</u> | <u>\$ 427,422</u> | <u>\$ 359,264</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2019

(Amounts expressed in thousands)

| | |
|--|-------------------|
| Fund balances of governmental funds (page 10) | \$ 418,387 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund Balance Sheet because of the following: | |
| In governmental activities, deferred loss on debt refunding has been included as deferred outflow of resources | - |
| Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. | 3,098 |
| The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds payable | (13,621) |
| Unamortized bond premium | (989) |
| Accrued liabilities in the Statement of Net Position differ from the amount reported in the governmental funds due to accrued interest on bonds payable | (173) |
| Net position of governmental activities (page 8) | <u>\$ 406,702</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2019

(With Comparative Totals for 2018)

(Amounts expressed in thousands)

| | General | Debt Service | Totals | |
|--|-------------------|------------------|-------------------|-------------------|
| | Fund | Fund | 2019 | 2018 |
| Revenues | | | | |
| Taxes | \$ 90,599 | \$ - | \$ 90,599 | \$ - |
| Assessments | 28,393 | 262 | 28,655 | 125,567 |
| Investment income | 11,368 | 489 | 11,857 | 2,148 |
| Other income | 626 | - | 626 | 422 |
| Total revenues | <u>130,986</u> | <u>751</u> | <u>131,737</u> | <u>128,137</u> |
| Expenditures: | | | | |
| Current | | | | |
| Services and supplies | 6,819 | - | 6,819 | 7,725 |
| Park improvements | 40,130 | - | 40,130 | 56,173 |
| Maintenance and servicing costs | - | - | - | 8,334 |
| Debt Service: | | | | |
| Principal | - | 12,955 | 12,955 | 12,320 |
| Interest | - | 1,039 | 1,039 | 1,692 |
| Total expenditures | <u>46,949</u> | <u>13,994</u> | <u>60,943</u> | <u>86,244</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>84,037</u> | <u>(13,243)</u> | <u>70,794</u> | <u>41,893</u> |
| Net changes in fund balances | 84,037 | (13,243) | 70,794 | 41,893 |
| Fund balances, July 1, 2018 | <u>320,026</u> | <u>27,567</u> | <u>347,593</u> | <u>305,700</u> |
| Fund balances, June 30, 2019 | <u>\$ 404,063</u> | <u>\$ 14,324</u> | <u>\$ 418,387</u> | <u>\$ 347,593</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2019

(Amounts expressed in thousands)

| | | | |
|--|----|------------|---------------|
| Net change in fund balances - governmental funds (page 12) | | \$ | 70,794 |
| Amounts reported for Governmental Activities in the Statement of Activities differ because of the following: | | | |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change change in deferred revenue from the prior year | | | (406) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position | | | 12,955 |
| Amortization of the bond premium and refunding charges are not reported as expenditure in the funds: | | | |
| Amortization of deferred loss on debt refunding | \$ | (981) | |
| Amortization of bond premium | | <u>941</u> | (40) |
| Accrued interest for bonds payable. This is the net change in accrued interest for the current period | | | 166 |
| Change in net position of governmental activities (page 9) | | \$ | <u>83,468</u> |

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 1 – HISTORY AND ORGANIZATION

General

Proposition A was passed by the voters on November 3, 1992, which provided for the formation of the assessment district “Regional Park and Open Space District” (the District). The District was formed and the assessments levied pursuant to Sections 5538.9 and 5539.9 of the California Public Resources Code. The objectives of the District are to improve the quality of life in the County of Los Angeles through the preservation of beaches, parks, and wild lands; the construction, renovation and improvement of new and existing recreational facilities; and the restoration of rivers, streams, and trails. These powers are exercised through the County of Los Angeles (the County) Board of Supervisors, which acts as the governing body of the District. Among its duties, it approves the District’s budget, determines the District’s assessment rates, approves contracts, and determines when to issue bonds authorized by the voters of the District. On November 5, 1996, the voters approved the Safe Neighborhood Parks Proposition, which provided for the district to levy additional assessments and to amend the method of assessments within the District.

Reporting Entity

The District is a component financial reporting unit of the County of Los Angeles, as the governing board of the County also serves as the District’s governing board, and the County is financially accountable for the District.

The District is included in the County’s comprehensive annual financial report for the fiscal year ended June 30, 2019.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by accounting principles generally accepted in the United States of America (US GAAP). The District does not have any component units.

The District’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.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The basic financial statements of the District are comprised of the following:

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

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. These statements include separate columns for the government and business-type activities of the primary government. The District does not have business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they are allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the District.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting District's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program. The District did not have any program revenues for the fiscal year ended June 30, 2019.

Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

The District's financial statements are presented in accordance with the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position 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 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, 2019, the District had no capital assets and thus no debt obligations related to capital assets.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

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 consequence of a restriction established by the reporting government's own 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. As of June 30, 2019, the District had restricted net position of \$406,702,000.

Proposition A requires that not less than 15% of all proceeds of assessments levied and collected shall be used for the maintenance and servicing of completed projects. As a result, the amount of assessments collected for maintenance and servicing and unspent as of June 30, 2019 has been reflected as restricted net position in the Statement of Net Position.

Unrestricted net position – GASB Statement No. 34 requires that local governments record in the statement of net position the local government's liability for debt issued to finance the construction and acquisition of assets to be owned by other parties. GASB Statements No. 33 and 34 do not permit the recognition of assets for future tax increment revenues that are pledged for the annual retirement of bonded debt issuances. Any negative equity resulting from the reporting of the District's liability for this debt is required by GASB Statement No. 34 to be reported as unrestricted net position. In future years, net position is expected to continue to gradually increase as the bonds are redeemed.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, and deferred inflows of resources, fund balance, revenues and expenditures.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Type Funds

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The District has no non-major funds.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. For this purpose, the District uses an availability period of 60 days for assessment revenues and 1 year for investment income.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the District.

Exchange transactions are recognized in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed tax revenues are recognized as revenues in the period in which the underlying exchange transactions upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they are imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenue arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of available expendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available expendable resources during a period.

Non-current portions of long-term receivables are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered available expendable resources since they do not represent net current assets. Recognition of governmental fund type revenues represented by deferred inflows of resources is shown as unearned revenue until they become current receivables. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the asset arises or when the resources are received, whichever occurs first.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Type Funds (Continued)

As a result of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Major Funds

The following are descriptions of the District's major funds:

General Fund – The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for accumulation of resources for, and the payment of principal and interest.

Cash and Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are reported as a component of investment income. Investment income also includes interest earnings and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in this pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on the fund's average cash and investment balance, as provided by California Government Code Section 53647.

Capital Assets

The District provides funding to other entities, including the County, for purposes that may include acquiring real property. Title to properties acquired is recorded in the name of the purchasing entity, not the District. Accordingly, there are no capital assets recorded on the Statement of Net Position.

Deferred Inflows of Resources - Deferred Revenue

Pursuant to GASB Statement No. 65 the District recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred inflows of resources that the District has recognized.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources – Deferred Loss on Debt Refunding

Pursuant to GASB Statement No. 65, the District recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Note 7 for a detailed listing of the deferred outflows of resources that the District has recognized.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

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

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance – the residual classification for the District's funds that include amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned resources as they are needed.

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget amendments that occur throughout the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and 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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Data

The amounts shown for 2018 in the accompanying basic financial statements are included only to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Note 3 – NEW PRONOUNCEMENTS ISSUED AND IMPLEMENTED

The following summarizes recent GASB pronouncements issued and implemented during fiscal year ended June 30, 2019 and their impact, if any, on the basic financial statements:

In November 2016, GASB issued Statement No. 83, “*Certain Asset Retirement Obligations*” – The primary purpose of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. This statement did not have a material impact on the District’s financial statements.

In April 2018, GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The objective of this Statement is to improve the information that is disclosed in the notes to the governmental financial statements related to debt, including direct borrowings and direct placements, and requires additional essential information related to debt be disclosed in notes to financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The implementation of GASB Statement No. 88 did not have an impact on the District’s financial statements.

Note 4 - ASSESSMENTS

The District’s primary revenue source is the assessments which are levied annually on each of the approximately 2.3 million parcels within the District’s boundaries. The District, as authorized by the Government Code, levied an assessment on each parcel of real property within the District. The rate and method of apportionment used in levying annual assessments for various categories of property is established in the Engineer’s Report for County of Los Angeles Landscaping and Lighting District No. 92-1. The level of each assessment is based on the size and use of each parcel and the resulting benefit each parcel will receive from the proposed projects. The estimation of such benefit is quantified by benefit points, which is based on the 1992 Proposition later amended by the 1996 Proposition.

The annual rate of each assessment may not exceed \$5.07 per benefit point for the 1996 Proposition. The annual assessment for the 1992 proposition sunset after June 30, 2015. The annual assessment for any parcel will consequently equal the annual rate multiplied by the number of benefit points applicable to each parcel. The assessment may be levied annually until 2019, when the 1996 Propositions assessments will sunset.

An additional assessment was levied as a result of the voter approved “The Los Angeles County Safe, Clean Neighborhood Parks and Beaches Measure of 2016 (Measure A)” on November 8, 2016. Measure A will continue to provide funding for the District to support local parks, beaches, open space, and water

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 4 - ASSESSMENTS (Continued)

resources. Measure A does not have a sunset date and is expected to generate approximately \$100 million in fiscal year 2019-2020 through an annual rate of 1.6 cents per square foot of development.

Note 5 - TRANSACTIONS WITH THE COUNTY AND OTHER AGENCIES

The County is responsible for providing all necessary employees to the District for purposes of performing all District functions. Costs related to these employees are billed to the District based on actual time spent providing District services. Accordingly, the District has no salaries and employee benefit expenditures or supplies inventory. Accrued expenditures in the amount of \$5,321,000 as of June 30, 2019, for services provided by the County and other agencies for reimbursable projects, have been recorded as Due to Los Angeles County.

Note 6 - CASH AND INVESTMENTS

Pooled Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows (in thousands):

Statement of Net Position -

| | |
|-----------------------------|-------------------|
| Pooled cash and investments | \$ 420,875 |
| Total cash and investments | <u>\$ 420,875</u> |

Cash and investments as of June 30, 2019 consist of the following (in thousands):

| | |
|--|-------------------|
| Equity in Los Angeles County investment pool | <u>\$ 420,875</u> |
| Total cash and investments | <u>\$ 420,875</u> |

Equity in the Cash and Investment Pool of the County of Los Angeles

The District has no separate bank accounts or investments other than the District's equity in the Los Angeles County Treasury Pool. The District is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Los Angeles County Treasurer and Tax Collector.

The District has not adopted an investment policy separate from that of the County. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value calculated by the County for the entire County portfolio.

The balance available for withdrawal is based on the accounting records maintained by the Los Angeles County Auditor-Controller, which are recorded on an amortized cost basis.

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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 6 - CASH AND INVESTMENTS (Continued)

Equity in the Cash and Investment Pool of the County of Los Angeles (Continued)

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.

Investments Authorized by Debt Agreements

Investment of debt proceeds is governed by provisions of debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. The table below identifies the investment types that are authorized. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment In One Issuer</u> | <u>Minimum Rating</u> |
|--|-------------------------|--|---|-----------------------|
| U.S. Treasury Notes, Bills and Bonds | None | None | None | None |
| U.S. Agency Securities | None | None | None | None |
| Local Agency Obligations | 5 years | 10% | 10% | None |
| Asset-Backed Securities | 5 years | 20% | \$750 million | AA |
| Bankers' Acceptances | 180 days | 40% | \$750 million | A-1/P-1/F1 |
| Negotiable Certificate of Deposits | 3 years | 30% | \$750 million | A-1/P-1/F1 |
| Commercial Paper | 270 days | 40% | \$1.5 billion | A-1/P-1/F1 |
| Corporate and Depository Medium-Term Notes | 3 years | 30% | \$750 million | A-1/P-1/F1 |
| LAIF | N/A | \$65 million | None | None |
| Shares of Beneficial Interest | N/A | 15% | 10% | AAA |
| Repurchase Agreements | 30 days | \$1 billion | \$500 million | None |
| Reverse Repurchase Agreements | 92 days | \$500 million | \$250 million | None |
| Forwards, Futures, and Options | 90 days | \$100 million | \$50 million | A |
| Interest Rate Swaps | None | None | None | A |
| Securities Lending Agreements | 92 days | 20% | None | None |
| Supranationals | 5 years | 30% | None | AA |

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than five years, with the exception of U. S. Treasury Notes, Bills, and Bonds and U.S Agency Securities which may have maturities beyond five years. The County Treasurer manages the Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 6 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Information about the District's exposure to interest rate risk as a result of its equity in the cash and investment pool of the County is provided by disclosures in the notes to the basic financial statements of the County that shows the distribution of the County's investments by maturity.

| <u>Investment Type</u> | <u>Totals (in thousands)</u> | <u>Remaining Maturity (in Months)</u> | | |
|-------------------------|----------------------------------|---------------------------------------|----------------------------|--------------------------------|
| | | <u>12 Months Or Less</u> | <u>13 to 24 Months</u> | <u>More Than 24 Months</u> |
| LA County Treasury Pool | \$ 420,875 | \$ 420,875 | \$ | \$ |
| | <u>\$ 420,875</u> | <u>\$ 420,875</u> | <u>\$</u> | <u>\$</u> |

Disclosures Related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type. The County investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. These guidelines are summarized in the notes to the basic financial statements of the County.

| <u>Investment Type</u> | <u>Totals (in thousands)</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Fiscal Year End</u> | |
|-------------------------|----------------------------------|-------------------------------------|---------------------------------------|---|----------------------|
| | | | | <u>AAA</u> | <u>Not Rated</u> |
| LA County Treasury Pool | \$ 420,875 | None | \$ | \$ | \$ 420,875 |
| | <u>\$ 420,875</u> | | <u>\$</u> | <u>\$</u> | <u>\$ 420,875</u> |

Concentration of Credit Risk

There are no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All investments of the District are in an investment pool. Although the District has no limitations on the amount that can be invested in any one issuer beyond those stipulated by the California Government Code, all investments are in the Los Angeles County Treasury Pool which is subject to the County investment policy limitations on the amount of pooled funds that may be invested in any one issuer.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 6 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will

not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have significant separate certificates of deposit or demand accounts with fiscal agents that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The District does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasury Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

Note 7 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

Deferred inflows of resources - unearned revenue in the fund financial statements represents receivables at fiscal year-end that will not be collected soon enough to finance current fiscal year expenditures. The unearned revenue balance at June 30, 2019 was \$ 3,098,000.

Deferred outflows of resources – deferred loss on debt refunding in the government-wide financial statements are accounting gains or losses resulting from advance refunding of long-term debt, and is deferred in accordance with GASB Statement No. 23 and No. 65. Deferred amounts on bond refunding are amortized over the shorter of the life of the new debt or refunded debt. The deferred loss on refunding balance at June 30, 2019, related to the 2005 A Bonds, was \$0.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Note 8 - LONG-TERM OBLIGATIONS

The following is a summary of the changes in outstanding bonded indebtedness during the fiscal year ended June 30, 2019 (in thousands):

| | Balance at July 1, 2018 | Additions | Repayments | Balance at June 30, 2019 | Due Within One Year |
|--------------|----------------------------|-------------|--------------------|-----------------------------|------------------------|
| 2005 A Bonds | \$ 17,900 | \$ - | \$ (8,720) | \$ 9,180 | \$ 9,180 |
| Premium | 1,930 | | (940) | 990 | 990 |
| 2007 A Bonds | 8,676 | | (4,236) | 4,440 | 4,440 |
| Total | <u>\$ 28,506</u> | <u>\$ -</u> | <u>\$ (13,896)</u> | <u>\$ 14,610</u> | <u>\$ 14,610</u> |

2005A Refunding Revenue Bonds Issuance

On January 20, 2005, the District issued \$181,220,000 in Refunding Revenue Bonds, Series 2005A, with interest rates ranging from 3.0% to 5.25%. The bonds were issued to advance refund \$188,175,000 of the outstanding principal of the Series 1997A Bonds. The net proceeds of the bonds plus a portion of the 1997 bond reserve were used to purchase state and local government securities. Those securities were deposited

in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1997 bonds. As a result, that portion has been removed from the Government-wide Statement of Net Position.

The 2005 bonds are payable from the reserve fund balance because the annual assessments have expired in accordance with the 1992 Proposition requirements. Interest is payable April 1 and October 1 of each year. Final bonds mature in October 2019. The outstanding balance as of June 30, 2019 is \$9,180,000.

The District has established and maintained a reserve account in accordance with the bond indenture. The reserve account has a balance of \$9,420,975 as of June 30, 2019. The funding in such amount provides a source of security that facilitated the marketing of the bonds at the interest rates provided thereon, was necessary for the District to obtain ratings from the rating agencies, was a vital factor in marketing the bonds, and is not in excess of the amount reasonably necessary for such purposes.

Annual debt service requirements, to maturity, for the 2005A Refunding Revenue Bonds are as follows (in thousands):

2005A Refunding Bonds

| Fiscal Year End June 30, | Principal | Interest | Total | Premium Amortization |
|-----------------------------|-----------------|---------------|-----------------|-------------------------|
| 2020 | \$ 9,180 | \$ 241 | \$ 9,421 | \$ 989 |
| Totals | <u>\$ 9,180</u> | <u>\$ 241</u> | <u>\$ 9,421</u> | <u>\$ 989</u> |

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 8 - LONG-TERM OBLIGATIONS (Continued)

2007A Refunding Revenue Bonds Issuance

On July 5, 2007, the District issued \$94,315,000 of Regional Park and Open Space District Series 2007A Refunding Revenue Bonds, maturing from 2007 to 2019, with yields ranging from 3.52% to 3.94%. Proceeds from the sale of the bonds together with other monies of the District were used to redeem all of the outstanding Series 1997A District revenue bonds, fund a reserve account, and pay for issuance costs. U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1997A revenue bonds. As a result, that portion of the 1997A revenue bonds are considered to be defeased and the liability for those bonds has been removed from the Government-wide Statement of Net Position.

The 2007A Refunding Revenue Bonds are payable from the proceeds of annual assessments levied on parcels within the District boundaries. Interest is payable April 1 and October 1 of each year. Final bonds mature in October 2019. The outstanding balance as of June 30, 2019 is \$4,440,000.

The District has established and maintained a reserve account in accordance with the bond indenture. The reserve account has a balance of \$4,551,000 as of June 30, 2019. The funding in such amount provides a source of security that facilitated the marketing of the bonds at the interest rates provided thereon, was necessary for the District to obtain ratings from the rating agencies, was a vital factor in marketing the bonds, and is not in excess of the amount reasonably necessary for such purposes.

Annual debt service requirements, to maturity, for the 2007A Refunding Revenue Bonds are as follows (in thousands):

| Fiscal Year End June 30, | 2007A Refunding Bonds | | |
|-----------------------------|-----------------------|----------|----------|
| | Principal | Interest | Total |
| 2020 | \$ 4,440 | \$ 111 | \$ 4,551 |
| Totals | \$ 4,440 | \$ 111 | \$ 4,551 |

Note 9 - PLEDGED REVENUE

The District has two debt issuances outstanding that are collateralized by the pledging of property tax assessment revenues. Currently, the 2005A bonds are payable from the reserve fund balance after the annual assessments have expired. The 2007A bonds are payable from the proceeds of annual assessments levied in accordance with the 1996 Proposition. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in Note 8, along with the purpose for which the proceeds of the related debt issuances were utilized.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 10 - CONTINGENT LIABILITIES

Claims and suits have been filed against the District 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 District.

In fiscal year 2013-2014, the District became a responsible party in various lawsuits regarding property acquired with Proposition A funds. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have an adverse material effect on the financial statements. However, the District will continue to incur legal costs related to these matters until they are resolved.

In fiscal year 2016-2017, the District became a responsible party in a lawsuit challenging the legality of the Measure A tax approved by voters in November 2016. The trial court ruled in the District's favor by finding the parcel tax legal but the plaintiff filed an appeal. In May 2019, the appellate court ruled in favor of the District.

Note 11 - COMMITMENTS

The District uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed, or assigned fund balance on the governmental funds balance sheet. As of June 30, 2019, the encumbrance balance for the District is \$53,827,514 and is included in the General Fund's restricted fund balance.

The 1992 Proposition assessments have sunset after tax year 2014-2015. As of July 1, 2015, the Los Angeles County Tax Collector stopped the regular assessments representing 65% of total revenue received by the District. The collection of delinquent taxes and penalties for these delinquencies will continue. The 1996 Proposition assessments will continue to be collected until its own sunset after tax year 2018-2019.

Note 12 – SUBSEQUENT EVENTS

In preparing these basic financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 3, 2019, the date the basic financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

For the Fiscal Year Ended June 30, 2019

(Amounts expressed in thousands)

| | Budget Amounts | | 2019 Actual (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|--|-----------------|-----------------|----------------------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ - | \$ 91,214 | \$ 90,599 | \$ (615) |
| Assessments | 123,073 | 28,750 | 28,670 | (80) |
| Fines, forfeitures, and penalties | 389 | 389 | 515 | 126 |
| Investment income | 1,948 | 1,548 | 7,255 | 5,707 |
| Miscellaneous | - | - | 111 | 111 |
| Total revenues | <u>125,410</u> | <u>121,901</u> | <u>127,150</u> | <u>5,249</u> |
| Expenditures | | | | |
| Recreation and cultural services: | | | | |
| Services and supplies | 16,062 | 13,300 | 7,212 | 6,088 |
| Other charges | <u>173,044</u> | <u>188,799</u> | <u>29,766</u> | <u>159,033</u> |
| Total expenditures | <u>189,106</u> | <u>202,099</u> | <u>36,978</u> | <u>165,121</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(63,696)</u> | <u>(80,198)</u> | <u>90,172</u> | <u>170,370</u> |
| Other financing sources (uses) | | | | |
| Transfers-in | 148,937 | 163,280 | 159,318 | (3,962) |
| Transfers-out | (163,059) | (163,349) | (159,580) | 3,769 |
| Appropriations for contingencies | (3,799) | - | - | - |
| Changes in fund balance | <u>(69,892)</u> | <u>(71,242)</u> | <u>(59,905)</u> | <u>11,337</u> |
| Other financing sources (uses) | <u>(87,813)</u> | <u>(71,311)</u> | <u>(60,167)</u> | <u>11,144</u> |
| Net change in fund balance | (151,509) | (151,509) | 30,005 | 181,514 |
| Fund balance, July 1, 2018 | <u>151,753</u> | <u>151,753</u> | <u>151,753</u> | <u>-</u> |
| Fund balance, June 30, 2019 | <u>\$ 244</u> | <u>\$ 244</u> | <u>\$ 181,758</u> | <u>\$ 181,514</u> |

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2019

1. BUDGETS AND BUDGETARY INFORMATION

In accordance with the provisions of Section 29000-29144 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, a District budget is adopted on or before October 2 for each fiscal year. Budgets are adopted for the General Fund on a basis of accounting, which is different from accounting principles generally accepted in the United States of America (US GAAP).

For budgetary purposes, encumbrances and other reserves are also recorded as other financing uses at the time they are established. For encumbrances, this occurs at the time contracts or other purchase agreements are entered into. Other reserves are also recognized as other financing uses to indicate that certain assets (such as inventories) are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.

Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only by the extent that they are collectible within 60 days.

For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

Expenditures are controlled on the object level for all District budgets. Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance provided for in the County Budget Act. There were no expenditures that exceeded the related appropriations within any fund as of June 30, 2019.

2. RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The District's Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds has been prepared on the modified accrual basis of accounting in accordance with US GAAP. The Budgetary Comparison Schedules for the General Fund and Debt Service Fund have been prepared on the budgetary basis, which is different from US GAAP.

The following schedule is a reconciliation of the budgetary and US GAAP fund balances as of June 30, 2019 (in thousands):

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2019

| | <u>General Fund</u> |
|--------------------------------|--------------------------|
| Fund balance - budgetary basis | \$ 181,758 |
| Encumbrance and other reserves | <u>222,536</u> |
| Subtotal | 404,294 |
| Adjustments: | |
| Change in revenue accruals | <u>(231)</u> |
| Fund balance - US GAAP basis | <u><u>\$ 404,063</u></u> |

OTHER SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2019

(Amounts expressed in thousands)

| | Budget Amounts | | 2019 Actual (Budgetary Basis) | Variance with Final Budget - Positive (Negative) |
|---|----------------|----------|----------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Investment income | \$ 203 | \$ 203 | \$ 306 | \$ 103 |
| Total revenues | 203 | 203 | 306 | 103 |
| Expenditures | | | | |
| Debt Service: | | | | |
| Principal | 12,955 | 12,955 | 12,955 | - |
| Interest | 1,120 | 1,039 | 1,039 | - |
| Total expenditures | 14,075 | 13,994 | 13,994 | - |
| Deficiency of revenues over expenditures | (13,872) | (13,791) | (13,688) | 103 |
| Other financing sources (uses) | | | | |
| Transfers-in | 14,122 | 14,122 | 262 | (13,860) |
| Transfer-out | - | (14,053) | - | 14,053 |
| Changes in fund balance | (331) | 13,641 | 13,641 | - |
| Other financing sources (uses) | 13,791 | 13,710 | 13,903 | 193 |
| Net change in fund balance | (81) | (81) | 215 | 296 |
| Fund balance, July 1, 2018 | 81 | 81 | 81 | - |
| Fund balance, June 30, 2019 | \$ - | \$ - | \$ 296 | \$ 296 |

Reconciliation of Fund Balances - Budgetary to US GAAP Basis:

| | |
|--------------------------------|-----------|
| Fund balance - budgetary basis | \$ 296 |
| Encumbrance and other reserves | 14,028 |
| Subtotal | 14,324 |
| Adjustments: | |
| Change in revenue accruals | - |
| Fund balance - US GAAP basis | \$ 14,324 |

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

To the Board of Directors of
Los Angeles County Regional Park and Open Space District
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Los Angeles County Regional Park and Open Space District (the “District”), a component unit of the County of Los Angeles, as of and for the fiscal year ended June 30, 2019, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District’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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District's basic financial statements are free of 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 the basic 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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, CA
December 3, 2019