

Azusa Rivers and Mountains Conservancy Authority

*Financial Statements and Independent
Auditors' Reports*

For the year ended June 30, 2018

Azusa Rivers and Mountains Conservancy Authority
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For the year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Azusa Rivers and Mountains Conservancy Authority
Azusa, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Azusa Rivers and Mountains Conservancy Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2017, 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.

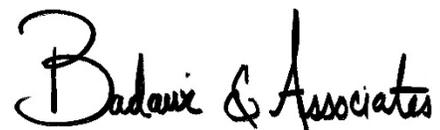
To the Board of Directors
of the Azusa Rivers and Mountains Conservancy Authority
Azusa, California
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Other Matters

Required Supplementary Information

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.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
February 19, 2020

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Azusa Rivers and Mountains Conservancy Authority
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 33,502
Prepaid items	<u>3,023</u>
Total assets	<u>36,525</u>
LIABILITIES	
Accounts payable	<u>887</u>
Total liabilities	<u>887</u>
NET POSITION	
Unrestricted	<u>35,638</u>
Total net position	<u><u>\$ 35,638</u></u>

See accompanying Notes to Basic Financial Statements.

Azusa Rivers and Mountains Conservancy Authority
Statement of Activities
June 30, 2018

Functions/Programs	Expenses	Program Revenues		Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Rivers and mountains conservation	\$ 7,970	\$ -	\$ 40,365	\$ 40,365	\$ 32,395
Total primary government	\$ 7,970	\$ -	\$ 40,365	\$ 40,365	32,395

General revenues:	
Investment income	-
Total general revenues	-
Change in net position	32,395
Net position - beginning of year	3,243
Net position - end of year	\$ 35,638

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Azusa Rivers and Mountains Conservancy Authority
Balance Sheet
General Fund
June 30, 2018

ASSETS

Cash and investments	\$	33,502
Prepaid items		3,023
Total assets	\$	36,525

**LIABILITIES AND
FUND BALANCES**

Liabilities:

Accounts payable	\$	887
Total liabilities		887

Fund Balances:

Unassigned		35,638
Total fund balances		35,638
Total liabilities and fund balances	\$	36,525

See accompanying Notes to Basic Financial Statements.

Azusa Rivers and Mountains Conservancy Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the year ended June 30, 2018

REVENUES:

Member contributions	\$ 451
Grants and special project revenue	39,914
Total revenues	<u>40,365</u>

EXPENDITURES:

Current - Rivers and Mountain Conservation:

Insurance	5,921
Attorney fees	1,749
Other expenditures	300
Total expenditures	<u>7,970</u>

Net change in fund balances 32,395

FUND BALANCES:

Beginning of year	3,243
End of year	<u>\$ 35,638</u>

See accompanying Notes to Basic Financial Statements.

Azusa Rivers and Mountains Conservancy Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the General Fund to the Statement of Activities
For the year ended June 30, 2018

Net Changes in Fund Balances - General Fund \$ 32,395

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

There were no reconciling differences for fiscal year 2018.

Change in Net Position of Governmental Activities \$ 32,395

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Azusa Rivers and Mountains Conservancy Authority (Authority) is a joint powers authority between the City of Azusa (City) and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (Conservancy). The Authority was created to conserve 180 acres of open space land in the hillsides of north Azusa from a developer. The following is a summary of the significant accounting policies of the Azusa Rivers and Mountains Conservancy Authority (the Authority) in conformity with accounting principles generally accepted in the United States of America.

A. *Relationship to the City of Azusa*

The City of Azusa provides administrative and accounting services for the Authority and acts in a fiduciary capacity for the Authority. The Authority's activities are accounted for in its own set of financial statements.

B. *Basis of Accounting and Measurement Focus*

The basic financial statements of the Authority are composed of the following:

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

Government - wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. The Authority has no fiduciary activities. Government-wide financial statements are presented using the economic resources measurement focus and 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 expenditures 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 and liabilities resulting from nonexchange transactions are recognized in accordance with requirements of GASB Statement No. 33.

Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government - wide Financial Statements, Continued

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term liabilities are recorded as a liability in the government-wide financial statements, rather than as another financial 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.

Fund Financial Statements

Fund financial statements for the Authority's governmental fund are presented after the government-wide financial statements. These statements display information about the Authority's major fund.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. 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 the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority uses an availability period of 60 days.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Member contributions and investment income associated with the current period are considered to be susceptible to accrual. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the combined balance sheet and revenue is recognized.

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 spendable 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 spendable resources" during a period.

Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by nonspendable fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect 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 were expended, rather than as fund assets. The proceeds of long-term liabilities are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

C. Activities in Major Fund

The following fund is presented as a major fund in the accompanying basic financial statements:

General Fund – all revenues have been accounted for in this fund. Expenditures of this fund include general operating expenses.

D. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. The Agency did not have any amount reported in this category as of June 30, 2018 as the Authority did not have any capital assets as of June 30, 2018.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments. The Agency did not have any amount reported in this category as of June 30, 2018.

Unrestricted – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Agency’s policy is to apply restricted net position first.

Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Fund Balances

Fund Financial Statements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classification of fund balances is as follows:

Nonspendable Fund Balances

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., the principal of an endowment fund. Examples of "not in spendable form" include inventory, prepaid amounts, long-term notes and loans, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be included in the restricted, committed or assigned instead of the nonspendable classification. A debt service reserve fund held by a trustee is an example of fund balance in nonspendable form that is classified as restricted instead of nonspendable since the reserve is eventually liquidated to make the final debt service principal payment.

Restricted Fund Balances

Restricted fund balances have externally enforceable limitations on use. The limitations on use can be imposed by creditors, grantors, or contributors as well as by constitutional provisions, enabling legislation, laws and government regulations.

Committed Fund Balances

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (Resolution) of the Board are classified as committed fund balances.

Assigned Fund Balances

Fund balance amounts for which the Board has expressed intent for use but not taken formal action to commit are reported as assigned under GASB 54.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. New Pronouncements

In 2018, the Authority adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The Authority restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the Authority for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the Authority for the current fiscal year.

2. CASH AND INVESTMENTS

The City of Azusa (City) maintains a cash and investment pool used by all funds of the City, including the Authority. The Authority does not own specifically identifiable securities of the City's pool. The Authority's portion of this pool is reported on the financial statements as "cash and investments". Investment policies and associated risk factors applicable to the Authority's funds are those of the City of Azusa and are included in the City's Comprehensive Annual Financial Report.

Cash and investments are reported as follows:

Statement of Net Position:

Cash and Investments	\$33,502
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Azusa Rivers and Mountains Conservancy Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

3. LAND HELD BY THE AUTHORITY

The Authority currently holds 180 acres of hillside property received via the City of Azusa from a Developer. No acquisition value could be determined as of the acquisition date of the land, and as such is not currently presented on the Authority's Statement of Net Position on the Government-Wide Statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Azusa Rivers and Mountains Conservancy Authority
Notes to Required Supplementary Information, Budget Comparison Schedule
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The Agency adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with accounting principles generally accepted in the United States of America.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Member contributions	\$ 5,000	\$ 5,000	\$ 451	\$ (4,549)
Grants and special project revenue	17,282	17,282	39,914	22,632
Total revenues	22,282	22,282	40,365	18,083
EXPENDITURES:				
Current:				
Rivers and Mountains Conservancy	22,282	22,282	7,970	14,312
Total expenditures	22,282	22,282	7,970	14,312
Net change in fund balance	\$ -	\$ -	32,395	\$ 32,395
FUND BALANCE:				
Beginning of year			3,243	
End of year			\$ 35,638	