

# **Azusa Rivers and Mountains Conservancy Authority**

*Financial Statements and Independent  
Auditors' Reports*

*For the year ended June 30, 2017*



**Azusa Rivers and Mountains Conservancy Authority**  
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**For the year ended June 30, 2017**

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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, 2017, 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.

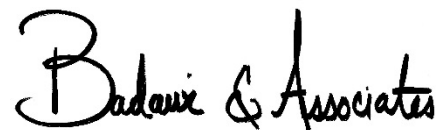
To the Board of Directors  
of the Azusa Rivers and Mountains Conservancy Authority  
Azusa, California  
Page 2

**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, 2017**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 40,639
Prepaid items	<u>3,762</u>
<b>Total assets</b>	<u>44,401</u>
<b>LIABILITIES</b>	
Accounts payable	1,244
Unearned revenue	<u>39,914</u>
<b>Total liabilities</b>	<u>41,158</u>
<b>NET POSITION</b>	
Unrestricted	<u>3,243</u>
<b>Total net position</b>	<u><u>\$ 3,243</u></u>

See accompanying Notes to Basic Financial Statements.

**Azusa Rivers and Mountains Conservancy Authority**  
**Statement of Activities**  
**June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Rivers and mountains conservation	\$ 14,392	\$ -	\$ 17,635	\$ 17,635	\$ 3,243
<b>Total primary government</b>	<b>\$ 14,392</b>	<b>\$ -</b>	<b>\$ 17,635</b>	<b>\$ 17,635</b>	<b>3,243</b>

**General revenues:**

Investment income	-
<b>Total general revenues</b>	<b>-</b>
<b>Change in net position</b>	<b>3,243</b>
<b>Net position - beginning of year</b>	<b>-</b>
<b>Net position - end of year</b>	<b>\$ 3,243</b>

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, 2017**

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**ASSETS**

Cash and investments	\$	40,639
Prepaid items		3,762
<b>Total assets</b>	<b>\$</b>	<b>44,401</b>

**LIABILITIES AND  
FUND BALANCES**

**Liabilities:**

Accounts payable	\$	1,244
Unearned revenue		39,914
<b>Total liabilities</b>		<b>41,158</b>

**Fund Balances:**

Unassigned		3,243
<b>Total fund balances</b>		<b>3,243</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>44,401</b>

See accompanying Notes to Basic Financial Statements.

**Azusa Rivers and Mountains Conservancy Authority**  
**Reconciliation of the Balance Sheet of the General Fund**  
**to the Statement of Net Position**  
**June 30, 2017**

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**Total Fund Balances for the General Fund** \$ 3,243

Amounts reported for governmental activities in the Statement of Net Position were different because:

There were no reconciling differences for fiscal year 2017.

**Net Position of Governmental Activities** \$ 3,243

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, 2017**

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**REVENUES:**

Member contributions	\$ 17,635
<b>Total revenues</b>	<u>17,635</u>

**EXPENDITURES:**

Current - Rivers and Mountain Conservation:

Insurance	2,687
Attorney fees	11,704
Other expenditures	<u>1</u>
<b>Total expenditures</b>	<u>14,392</u>

**Net change in fund balances** 3,243

**FUND BALANCES:**

Beginning of year	<u>-</u>
End of year	<u>\$ 3,243</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, 2017**

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**Net Changes in Fund Balances - General Fund** \$ 3,243

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

There were no reconciling differences for fiscal year 2017.

**Change in Net Position of Governmental Activities** \$ 3,243

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, 2017**

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**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, 2017**

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**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, 2017**

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**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, 2017 as the Authority did not have any capital assets as of June 30, 2017.

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, 2017.

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, 2017**

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**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, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. New Pronouncements**

In 2017, the Authority adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the Authority.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions other postemployment benefits or OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The requirements of this statement were not applicable to the Authority.
- GASB Statement No. 77, *Tax Abatement Disclosure*– This statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this statement were not applicable to the Authority.
- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*– The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the Authority.



**Azusa Rivers and Mountains Conservancy Authority**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*G. New Pronouncements, Continued*

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the Authority.
  
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement were not applicable to the Authority.

**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	\$40,639
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**Azusa Rivers and Mountains Conservancy Authority**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**Azusa Rivers and Mountains Conservancy Authority**  
**Notes to Required Supplementary Information, Budget Comparison Schedule**  
**For the year ended June 30, 2017**

**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		
<b>REVENUES:</b>				
Member contributions	\$ 13,000	\$ 13,000	\$ 17,635	\$ 4,635
Grants and special project revenue	10,086	10,086	-	(10,086)
<b>Total revenues</b>	<b>23,086</b>	<b>23,086</b>	<b>17,635</b>	<b>(5,451)</b>
<b>EXPENDITURES:</b>				
Current:				
Rivers and Mountains Conservancy	23,086	23,086	14,392	8,694
<b>Total expenditures</b>	<b>23,086</b>	<b>23,086</b>	<b>14,392</b>	<b>8,694</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,243</b>	<b>\$ 3,243</b>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ 3,243	

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