



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

January 31, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY REGIONAL PARK AND
OPEN SPACE DISTRICT FOR THE YEAR ENDED JUNE 30, 2005**

Attached are the financial statements for the Los Angeles County Regional Park and Open Space District (District) for the year ended June 30, 2005. Pursuant to Government code section 26909, the statements have been audited by a Certified Public Accountant; Conrad and Associates, L.L.P.

The attached auditor's report concludes that the financial statements are presented fairly in conformance with generally accepted accounting principles and State regulations governing special districts.

If you have any questions, please contact me or your staff may call Maria Oms at (213) 974-8303.

JTM:MO:MP

Attachments

c: David E. Janssen, Chief Administrative Officer
Russ Guiney, Director, Department of Parks and Recreation
Ilona Volkmann, Administrator, Regional Park and Open Space District
Violet Varona-Lukens, Executive Officer
Public Information Officer
Audit Committee

Board of Supervisors
Los Angeles County Regional Park
and Open Space District
Los Angeles, California

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the Los Angeles County Regional Park and Open Space District (the "District") as of and for the year ended June 30, 2005, and have issued our report thereon dated November 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Supervisors
Los Angeles County Regional Park
and Open Space District
Page 2 of 2

This report is intended solely for the information and use of the Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Conrad and Associates, L.L.P.

November 21, 2005

LOS ANGELES COUNTY REGIONAL PARK
AND OPEN SPACE DISTRICT

Financial Statements and
Supplementary Information

Year Ended June 30, 2005

(With Independent Auditors' Report Thereon)

(This page intentionally left blank)

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Financial Statements and Supplementary Information

Year Ended June 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Basic Financial Statements	15
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	39
Notes to the Required Supplementary Information	40
Other Supplementary Information:	
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	42

(This page intentionally left blank)

Board of Supervisors
Los Angeles County Regional Park and Open Space District
Los Angeles, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Angeles County Regional Park and Open Space District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the management of the District. Our responsibility is to express opinions 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 District as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and State regulations governing special districts.

The information identified in the accompanying table of contents as *Management's Discussion and Analysis* and *Required Supplementary Information* are not a required part of the basic financial statements but are supplementary information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Conrad and Associates, L.L.P.

November 21, 2005

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2005

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, 2005. Please read it in conjunction with the accompanying financial statements, footnotes, and supplementary information.

Financial Highlights

- As more fully explained in the government-wide financial analysis below and in footnote 10 to the financial statements, net assets were negative \$47 million at June 30, 2005.
- During the current year, the District's net assets increased by \$22 million.
- The District's General Fund fund balance increased to \$239 million.
- The District reduced its outstanding debt during fiscal year 2005 by \$20.7 million.

Financial Statement Overview

This annual report consists of a series of financial statements: 1) government-wide financial statements, 2) fund based financial statements, and 3) notes to the financial statements. In addition to the financial statements, this report contains required supplementary information and additional supplementary schedules.

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 Assets presents all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator to determine whether the financial position of the District is improving or deteriorating.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
Management's Discussion and Analysis
(Continued)

- The Statement of Activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets (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 expenses).

The government-wide financial statements can be found on pages 9-10 of this report.

Fund based 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 modified accrual accounting, which measures cash and all 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.

Net asset/net equity differences between the government-wide and fund based statements are highlighted on pages 12 and 22-24 and are primarily the result of the inclusion of bonds payable, accrued interest on bonds payable, and deferred revenue in the government-wide liabilities.

The difference between the change in net assets/fund balances on the government-wide versus fund based statements is highlighted on pages 14 and 25-27 and is primarily the result of reporting the repayment of bond principal as an expenditure in the fund based statements.

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

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
Management's Discussion and Analysis
(Continued)

Government-wide Financial Analysis

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

Table 1
Net Assets
(in Thousands)

	Governmental Activities	
	<u>FY 2005</u>	<u>FY 2004</u>
Current and other assets	\$ 317,986	\$ 320,499
Total assets	<u>317,986</u>	<u>320,499</u>
Long-term debt outstanding	355,494	376,210
Other liabilities	<u>9,440</u>	<u>13,652</u>
Total liabilities	<u>364,934</u>	<u>389,862</u>
Net assets-		
Unrestricted	<u>(46,948)</u>	<u>(69,363)</u>
Total net assets	<u><u>\$ (46,948)</u></u>	<u><u>\$ (69,363)</u></u>

GASB Statement 34 requires that the government-wide statements reflect a liability for the \$355.4 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 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. As a result, the Statement of Net Assets shows negative net assets of approximately \$47 million. The bond covenants require the County to levy property taxes in future years to specifically repay the principal and interest on the bonds. Accordingly, the deficit related to these bonds is expected to be funded by the dedicated tax levy and the deficit will gradually diminish as the bonds are redeemed.

Total assets of the District decreased by 0.8% from the prior year to \$318 million due to a \$2.2 million decrease in pooled cash and investments and a \$0.4 million decrease in assessments receivable.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
 Management's Discussion and Analysis
 (Continued)

Total liabilities of the District decreased by 6.4% from the prior year to \$364.9 million due to a \$20.7 million decrease in long-term liabilities (bonds payable) and a \$4.2 million decrease in project related expenditure accruals and interest payable.

Total net assets increased \$22.4 million to negative \$46.9 million due to an excess of general revenues (\$85.7 million in assessment revenue and investment income) over government expenses (\$63.3 million in grants to other agencies, bond interest expense, maintenance and administration).

Table 2
 Changes in Net Assets
 (in Thousands)

	<u>Governmental Activities</u> <u>(Summary of Statement of</u> <u>Activities)</u>	
	<u>FY 2005</u>	<u>FY 2004</u>
<u>Revenues</u>		
General revenues		
Assessment	\$ 79,244	\$ 77,672
Investment income	6,449	2,848
Other revenue	<u> -</u>	<u> 214</u>
Total revenues	85,693	80,734
<u>Expenses</u>		
General government	48,382	56,581
Interest expense	<u>14,896</u>	<u>19,923</u>
Total expenses	<u>63,278</u>	<u>76,504</u>
Increase (decrease) in net assets	<u>\$ 22,415</u>	<u>\$ 4,230</u>

Investment income increased by \$3.6 million in 2005 due to higher investment yields and a reduction in arbitrage rebate liability. The District spent \$8.2 million less on park improvements and maintenance in 2005.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
Management's Discussion and Analysis
(Continued)

Fund Based Financial Analysis

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$307.3 million, an increase of \$1.9 million from the prior year. Current year revenues from the governmental funds were \$85.7 million, an increase of 4.6% from the previous year. Expenditures in the current year were \$63.3 million, a decrease of 17.3% from the previous year.

Debt Management

At June 30, 2005, the District had Bonds Payable of \$355,493,601, the proceeds of which are being used to fund various park improvement projects and a debt service reserve fund. The debt service payments are secured by the District's annual benefit assessment to each assessable parcel as approved by the voters in 1992 and 1996. The District reduced its outstanding debt by \$20.7 million during fiscal year 2005. In January 2005, the District issued \$181,220,000 in revenue refunding bonds with an average rate of 3.50%, to partially refund the outstanding principal amount of \$188,175,000 of bonds issued in 1997 at an interest rate of 5.05%.

Budgets

The District's original General Fund budgeted expenditures were adjusted by less than .5% to reflect additional services and supplies. The District's original Debt Service Fund budget was adjusted to reflect activity resulting from the issuance of the District's Revenue Refunding Bonds Series 2005A.

In the District's General Fund, the budgeted expenditures included encumbrances of \$83.4 million reflecting the District's obligations to fund future park improvements. These future expenditures will be funded with additional debt proceeds or assessment revenues (shown as Long-Term Debt Proceeds in the budget). During fiscal year 2005, the District spent much less than the amount budgeted for park grants, projects, and maintenance. Besides the refunding bonds, no new bonds were issued during the fiscal year.

In the District's Debt Service Fund, budgeted debt service includes interest amounts due in the subsequent period. The associated variance of \$25.3 million was appropriated in the following year to meet debt service.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
Management's Discussion and Analysis
(Continued)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and 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.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Statement of Net Assets

June 30, 2005

(in Thousands)

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
ASSETS:		
Pooled cash and investments (note 6)	\$ 307,428	309,615
Assessments receivable	9,199	9,563
Interest receivable	<u>1,359</u>	<u>1,321</u>
Total assets	<u>317,986</u>	<u>320,499</u>
LIABILITIES:		
Accounts payable	506	5,346
Accrued interest payable	4,426	4,916
Due to Los Angeles County (note 5)	4,508	3,390
Long-term liabilities (note 7):		
Due within one year	23,980	19,565
Due in more than one year	<u>331,514</u>	<u>356,645</u>
Total liabilities	<u>364,934</u>	<u>389,862</u>
NET ASSETS:		
Unrestricted (note 10)	<u>(46,948)</u>	<u>(69,363)</u>
Total net assets (deficit)	<u>\$ (46,948)</u>	<u>(69,363)</u>

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Statement of Activities

Year Ended June 30, 2005

(in Thousands)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	
					<u>2005</u>	<u>2004</u>
Governmental activities:						
Recreation and cultural services	\$48,382	-	-	-	(48,382)	(56,581)
Interest expense	<u>14,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,896)</u>	<u>(19,923)</u>
Totals	<u>\$63,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,278)</u>	<u>(76,504)</u>
General revenues:						
Assessment revenue					79,244	77,672
Investment income					6,449	3,662
Net change in fair value of investments					-	(814)
Other revenue					<u>-</u>	<u>214</u>
Total general revenues					<u>85,693</u>	<u>80,734</u>
Change in net assets					22,415	4,230
Net assets (deficit) at beginning of year					<u>(69,363)</u>	<u>(73,593)</u>
Net assets (deficit) at end of year					<u>\$(46,948)</u>	<u>(69,363)</u>

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

(in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>	
			2005	2004
<u>Assets</u>				
Pooled cash and investments (note 6)	\$ 238,900	68,528	307,428	309,615
Assessments receivable	9,199	-	9,199	9,563
Interest receivable	<u>1,327</u>	<u>32</u>	<u>1,359</u>	<u>1,321</u>
 Total assets	 <u>\$ 249,426</u>	 <u>68,560</u>	 <u>317,986</u>	 <u>320,499</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 506	-	506	5,346
Due to Los Angeles County (note 5)	4,508	-	4,508	3,390
Deferred revenue	<u>5,610</u>	<u>-</u>	<u>5,610</u>	<u>6,273</u>
 Total liabilities	 <u>10,624</u>	 <u>-</u>	 <u>10,624</u>	 <u>15,009</u>
Fund balances:				
Reserved:				
Encumbrances	91,734	-	91,734	91,211
Debt Service	-	68,560	68,560	66,915
Unreserved:				
Undesignated	<u>147,068</u>	<u>-</u>	<u>147,068</u>	<u>147,364</u>
 Total fund balances	 <u>238,802</u>	 <u>68,560</u>	 <u>307,362</u>	 <u>305,490</u>
 Total liabilities and fund balances	 <u>\$ 249,426</u>	 <u>68,560</u>	 <u>317,986</u>	 <u>320,499</u>

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

Governmental Funds

June 30, 2005

(in Thousands)

Fund balances of governmental funds	\$ 307,362
Amounts reported for governmental activities in the statement of net assets are different because:	
Revenues that do not provide current financial resources are not reported as revenues in the funds.	5,610
The following long-term liabilities, are not due and payable in the current period therefore are not reported in the funds:	
Bonds Payable	(349,690)
Unamortized Bond Refunding Charge	13,735
Unamortized Bond Premium	(19,539)
Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on Bonds Payable.	<u>(4,426)</u>
Net assets (deficit) of governmental activities	<u>\$ (46,948)</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

Year Ended June 30, 2005

	(in Thousands)		Totals	
	General	Debt Service	2005	2004
Revenues:				
Assessments	\$ 79,907	-	79,907	78,875
Investment income	5,755	694	6,449	3,662
Net change in fair value of investments	-	-	-	(814)
Other revenue	-	-	-	214
Total revenues	<u>85,662</u>	<u>694</u>	<u>86,356</u>	<u>81,937</u>
Expenditures:				
Current:				
Services and supplies	1,194	-	1,194	4,760
Park improvements	31,636	-	31,636	39,505
Maintenance and servicing costs	15,552	-	15,552	12,316
Debt service:				
Principal	-	19,565	19,565	18,525
Interest	-	15,385	15,385	20,183
Total expenditures	<u>48,382</u>	<u>34,950</u>	<u>83,332</u>	<u>95,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,280</u>	<u>(34,256)</u>	<u>3,024</u>	<u>(13,352)</u>
Other financing sources (uses):				
Transfers in (note 8)	-	37,053	37,053	38,888
Transfers out (note 8)	(37,053)	-	(37,053)	(38,888)
Issuance of refunding bonds	-	181,220	181,220	-
Bond premium	-	19,539	19,539	-
Payment to bond escrow agent	-	(201,911)	(201,911)	-
Total other financing sources (uses)	<u>(37,053)</u>	<u>35,901</u>	<u>(1,152)</u>	<u>-</u>
Net changes in fund balances	227	1,645	1,872	(13,352)
Fund balances at beginning of year	<u>238,575</u>	<u>66,915</u>	<u>305,490</u>	<u>318,842</u>
Fund balances at end of year	<u>\$ 238,802</u>	<u>68,560</u>	<u>307,362</u>	<u>305,490</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 Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

(in Thousands)

Net changes in fund balances - total governmental funds	\$ 1,872
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(663)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.	19,565
Proceeds of bonds and bond premium are other financing sources in the governmental funds, but the issuance of bonds increased long-term liabilities in the statement of net assets	(200,759)
Payments to bond escrow are expenditures in the governmental funds, but the payments decreased long-term liabilities in the statement of net assets.	201,911
Accrued interest for Bonds Payable. This is the net change in accrued interest for the current period.	<u>489</u>
Changes in net assets of governmental activities	<u>\$ 22,415</u>

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) History and Organization

The following is a summary of the significant accounting policies of the Los Angeles County Regional Park and Open Space District (the "District"):

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 1996, 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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(a) History and Organization, (Continued)

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 generally accepted accounting principles ("GAAP"). The District does not have any components units.

The District is included as a component unit in the County financial reporting entity and is included in the County's comprehensive annual financial report for the year ended June 30, 2005.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(b) Basis of Accounting and Measurement Focus, (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, 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 year then ended.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(b) Basis of Accounting and Measurement Focus, (Continued)

Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other 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.

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, fund equity, revenues and expenditures.

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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Fund Types

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 as revenues 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 transaction 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 revenues 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.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(b) Basis of Accounting and Measurement Focus, (Continued)

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 due to governmental funds 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 revenue represented by non-current receivables are deferred until they become current receivables.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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 were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(b) Basis of Accounting and Measurement Focus, (Continued)

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

(c) Major Funds

The major funds of the District are as follows:

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.

(d) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are reported as *net change in fair value of investments*. *Investment income* includes interest earnings and any gains or losses realized upon the liquidation, maturity, or sale of investments.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

(d) Cash and Investments, (Continued)

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 fund's average cash and investment balance, as provided by California Government Code Section 53647.

(e) Capital Assets

The District provides funding to other entities, including the County, for purposes of 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 assets.

(f) Deferred Revenue

Deferred revenue in the fund financial statements represents receivables at year end that will not be collected soon enough to finance current year expenditures.

(g) Prior Year

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of Difference between Governmental Funds Balance Sheet and the Statement of Net Assets

“Total fund balances” of the District’s governmental funds were \$307,362,000, which differs from the “net assets” of governmental activities amount of \$(46,948,000), reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund balance sheets. The following adjustments have been made to effect this difference and are further illustrated in the accompanying schedule.

Long-term Debt Transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets.

Bonds payable	(\$355,494,000)
---------------	-----------------

Accrued Interest

Accrued liabilities in the Statement of Net Assets differ from the amount reported in governmental funds due to accrued interest on bonds payable.

Accrued interest added	(\$4,426,000)
------------------------	---------------

Deferred Revenue

Governmental funds recognize revenues when they are *measurable and available*. The government-wide statement of activities, however, is *not* subject to this availability criterion. Therefore, amounts related to certain assessments are deferred for the governmental funds but are recognized as revenue for the government-wide financial statements.

Deferred revenue	\$5,610,000
------------------	-------------

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (CONTINUED)

(a) Explanation of Difference between Governmental Funds Balance Sheet and the Statement of Net Assets, (Continued)

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once, in the function in which they are allocated.

(in Thousands)

	Total Governmental Funds	Certain Deferred Revenue	Long-term Debt	Interest Payable	Eliminations	Statement Of Net Assets
ASSETS:						
Pooled cash and investments	\$ 307,428	-	-	-	-	307,428
Assessment receivable	9,199	-	-	-	-	9,199
Interest receivable	<u>1,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,359</u>
Total assets	<u>317,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,986</u>
LIABILITIES AND FUND BALANCES/NET ASSETS:						
Accounts payable	506	-	-	-	-	506
Accrued interest	-	-	-	4,426	-	4,426
Due to L.A. County	4,508	-	-	-	-	4,508
Deferred revenue	5,610	(5,610)	-	-	-	-
Long-term liabilities – current	-	-	23,980	-	-	23,980
Long-term liabilities – noncurrent	<u>-</u>	<u>-</u>	<u>331,514</u>	<u>-</u>	<u>-</u>	<u>331,514</u>
Total liabilities	<u>10,624</u>	<u>5,610</u>	<u>355,494</u>	<u>4,426</u>	<u>-</u>	<u>364,934</u>
Fund Balance/net assets	<u>307,362</u>	<u>5,610</u>	<u>(355,494)</u>	<u>(4,426)</u>	<u>-</u>	<u>(46,948)</u>
Total liabilities and fund balances/net assets	<u>\$ 317,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,986</u>

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (CONTINUED)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds was \$2,600,000, which differs from the "change in net assets" for governmental activities of \$23,143,000 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the government funds. The following adjustments are explained below and are illustrated in the following schedule.

Long-term Debt Transactions

Repayment of bond principal is reported as an expenditure in the governmental funds, and therefore, has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.

In addition to principal payments, the issuance and defeasance of bonds are reported as other financing sources and uses in the governmental funds, and therefore, have an effect on fund balance because current financial resources have been generated and used. For the District as a whole, however, the issuance and defeasance of bonds is recorded as a change in long term liabilities in the Statement of Net Assets and is not recorded in the Statement of Activities.

Principal payments made	\$19,565,000
Issuance of refunding bonds	(181,220,000)
Bond premium	(19,539,000)
Payment to bond escrow agent	201,911,000

Accrued Interest

This is the net change in accrued interest for the current period.

Accrued interest	\$490,000
------------------	-----------

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (CONTINUED)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

Deferred Revenue

Governmental funds recognize revenues when they are *measurable and available*. The government-wide statement of activities, however, is *not* subject to this availability criterion. Therefore, amounts related to certain assessments are deferred for the governmental funds but are recognized as revenue for the government-wide financial statements.

Deferred revenue	\$ (663,000)
------------------	--------------

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocation must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once, in the function in which they are allocated. Certain reclassifications are made to convert expenditure classifications in the fund financial statements to those required for the statement of activities.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (CONTINUED)

(b) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

(in Thousands)

	Total Governmental Funds	Certain Deferred Revenue	Long Term Debt	Interest Payable	Eliminations	Statement Of Net Assets
REVENUES:						
Assessment revenue	\$ 79,907	(663)	-	-	-	79,244
Investment Income	6,449	-	-	-	-	6,449
Total revenues	<u>86,356</u>	<u>(663)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,693</u>
EXPENDITURES:						
Current:						
Recreation and cultural services	48,382	-	-	-	-	48,382
Debt Service:						
Principal	19,565	-	(19,565)	-	-	-
Interest	15,385	-	-	(490)	-	14,895
Total expenditures	<u>83,332</u>	<u>-</u>	<u>(19,565)</u>	<u>(490)</u>	<u>-</u>	<u>63,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,024)</u>	<u>(663)</u>	<u>19,565</u>	<u>490</u>	<u>-</u>	<u>22,416</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	37,053	-	-	-	(37,053)	-
Transfers out	(37,053)	-	-	-	37,053	-
Proceeds of bonds	181,220	-	(181,220)	-	-	-
Bond premium	19,539	-	(19,539)	-	-	-
Payment to bond escrow agent	(201,911)	-	201,911	-	-	-
Total other financing sources (uses)	<u>(1,152)</u>	<u>-</u>	<u>1,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances/net assets	<u>1,872</u>	<u>(663)</u>	<u>20,717</u>	<u>490</u>	<u>-</u>	<u>22,416</u>
Fund balances/net assets, at beginning of year	<u>305,490</u>	<u>6,273</u>	<u>(376,210)</u>	<u>(4,916)</u>	<u>-</u>	<u>(69,363)</u>
Fund balances/net assets, at end of year	<u>\$ 307,362</u>	<u>5,610</u>	<u>(355,493)</u>	<u>(4,426)</u>	<u>-</u>	<u>(46,947)</u>

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

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

In accordance with the provisions of Section 2900-29144 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 August 30 for each fiscal year. Budgets are adopted for the General Fund and Debt Service Fund on a basis of accounting, which is different from generally accepted accounting principles ("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 to 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 as provided for in the County Budget Act. There were no excesses of expenditures over the related appropriations within any fund at June 30, 2005.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

3. RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS, (CONTINUED)

The District's Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types has been prepared on the modified accrual basis of accounting in accordance with GAAP. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service have been prepared on the budgetary basis, which is different from GAAP.

The following schedule is a reconciliation of the budgetary and GAAP fund balances as of June 30, 2005 (in Thousands):

	<u>General Fund</u>	<u>Debt Service</u>
Fund balance – budgetary basis	\$129,047	25,309
Reserves and designations	<u>91,734</u>	<u>37,163</u>
Subtotal	220,781	62,472
Adjustments:		
Changes in accruals	<u>18,021</u>	<u>6,088</u>
Fund balance – GAAP basis	<u>\$238,802</u>	<u>68,560</u>

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

4. BENEFITS ASSESSMENTS

The District's primary revenue source is the assessments which are levied annually on each of the approximately 2.2 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 1996 Proposition.

The annual rate of each assessment may not exceed \$14.46 per benefit point. 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 for a period of 22 years.

The expenditures of the District that are funded from the proceeds of the annual assessments levied and collected are distributed as follows: a minimum of 80% (but not more than 85%) of the assessments are used for the payment of debt service on bonds, notes and other obligations issued by the District and for the direct capitalized costs incurred on approved projects; 15% of assessments are used for maintenance and servicing of completed projects; and up to 5% of the assessment are used to pay for the District's ongoing administrative expenses.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

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 upon 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 \$4,508,000 as of June 30, 2005, for services provided by the County and other agencies for reimbursable projects, have been recorded as "Due to Los Angeles County".

6. CASH AND INVESTMENTS

Pooled Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Pooled cash and investments	<u>\$307,428,540</u>
Total cash and investments	<u>\$307,428,540</u>

Cash and investments as of June 30, 2005 consist of the following:

Equity in County investment pool	<u>\$307,428,540</u>
Total cash and investments	<u>\$307,428,540</u>

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

6. CASH AND INVESTMENTS, (CONTINUED)

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 Authorized by Debt Agreements

Investment of debt proceeds is governed by provisions of the 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>Minimum Rating</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None	None
U.S. District Securities	AA	None	None	None
Federal Agency Securities	None	None	None	None
Banker's Acceptances	AA	270 days	None	None
Commercial Paper	AA	None	None	None
Negotiable Certificates of Deposit	AA	None	None	None
Repurchase Agreements	AA	None	None	None
Mortgage Securities	AA	None	None	None
Medium Term Notes	AA	5 years	None	None
Money Market Mutual Funds	AAA	N/A	None	None
LA County Treasury Pool	None	None	None	None

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

6. CASH AND INVESTMENTS, (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County of Los Angeles manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Information about the sensitivity of the fair values of the District's deposits with the County to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

<u>Investment Type</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	<u>\$307,428,540</u>	<u>307,428,540</u>	<u>-</u>	<u>-</u>
Total	<u>\$307,428,540</u>	<u>307,428,540</u>	<u>-</u>	<u>-</u>

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

6. CASH AND INVESTMENTS, (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
LA County Treasury Pool	<u>\$307,428,540</u>	None	<u>-</u>	<u>-</u>	<u>\$307,428,540</u>
Total	<u>\$307,428,540</u>		<u>-</u>	<u>-</u>	<u>\$307,428,540</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 County are in an investment pool.

Custodial Credit Risk

The District does not have significant separate certificates of deposit or demand accounts with fiscal agent 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).

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

7. LONG-TERM OBLIGATIONS

The following is a summary of the changes in outstanding bonded indebtedness during the fiscal year ended June 30, 2005:

<u>Issuance</u>	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2005</u>	<u>Amount Due Within One Year</u>
1997 A Bonds	\$ 376,210,000	-	(207,740,000)	168,470,000	20,475,000
2005 A Bonds	-	181,220,000	-	181,220,000	3,505,000
Refunding	-	(13,735,808)	-	(13,735,808)	-
Premium	-	19,539,409	-	19,539,409	-
	<u>\$ 376,210,000</u>	<u>187,023,601</u>	<u>(207,740,000)</u>	<u>355,493,601</u>	<u>23,980,000</u>

1997 A Bond Issuance

On November 1, 1997, the District issued \$510,185,000 in Limited Obligation Improvement Bonds, Series 1997A, with interest rates ranging from 4.2% to 6.0%. The bonds were issued to advance refund the outstanding principal of the Series 1994A Bonds, and for acquisition, restoration, improvement, and preservation of beach, park, wildlife, and open space resources within the District. The 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 2019. The outstanding balance as of June 30, 2005 is \$168,470,000.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

7. LONG-TERM OBLIGATIONS, CONTINUED

2005 A Bond Issuance

On January 20, 2005, the District issued \$181,220,000 in Revenue Refunding 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 of the 1997 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The 2005 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 2019. The outstanding balance as of June 30, 2005 is \$181,220,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$13.7 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the effective interest method. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$19.1 million at an economic loss of \$12.6 million.

The bond indentures require that the bond reserve be maintained in an amount, which is equal to the maximum amount of principal and interest becoming due in any single future six months period. The maximum amount of principal and interest becoming due in any single future six month period is \$23,946,138. The District has established a reserve account in accordance with the bond indenture. The reserve account has a balance of \$17,757,356 as of June 30, 2005.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

7. LONG-TERM OBLIGATIONS, CONTINUED

The minimum annual requirements to amortize bonds as of June 30, 2005 are presented in the following schedule.

Year Ending June 30,	1997 Bonds		2005 Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 20,475,000	8,341,813	3,505,000	8,808,525
2007	21,475,000	7,264,703	-	8,755,950
2008	22,630,000	6,079,381	-	8,755,950
2009	8,480,000	5,238,000	15,190,000	8,406,200
2010	8,950,000	4,758,675	15,885,000	7,682,575
2011	9,440,000	4,252,950	16,635,000	6,932,044
2012	9,960,000	3,719,450	17,385,000	6,135,763
2013	10,505,000	3,156,662	18,230,000	5,260,387
2014	11,085,000	2,570,638	19,140,000	4,326,137
2015	11,680,000	1,981,500	20,095,000	3,345,263
2016	12,265,000	1,382,875	21,100,000	2,315,388
2017	4,995,000	951,375	7,870,000	1,581,300
2018	5,245,000	695,375	8,285,000	1,157,231
2019	5,505,000	426,625	8,720,000	710,850
2020	<u>5,780,000</u>	<u>144,500</u>	<u>9,180,000</u>	<u>240,975</u>
Total	<u>\$168,470,000</u>	<u>50,964,522</u>	<u>181,220,000</u>	<u>74,414,538</u>

8. INTERFUND TRANSFERS

Transfers in and out for the year ended June 30, 2005 are as follows:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$37,053,000 (1)

(1) To transfer funds to cover debt service payment for Series 1997A Bond.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Basic Financial Statements

(Continued)

9. 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 of the financial condition of the District.

10. UNRESTRICTED NET ASSETS

GASB Statement No. 34 requires that local governments record in the statement of net assets 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. The negative equity resulting from the reporting of the District's liability for this debt is required by GASB No. 34 to be reported as unrestricted net assets.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

Year Ended June 30, 2005

(in Thousands)

	General Fund				
	Original Budget	Final Budget	2005 Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	2004 Actual (Budgetary Basis)
Revenues:					
Assessments	\$ 78,324	78,324	78,923	599	78,448
Fines, forfeitures and penalties	894	894	1,126	232	-
Investment income	4,303	4,303	5,626	1,323	3,811
Total revenues	83,521	83,521	85,675	2,154	82,259
Expenditures:					
Recreation and cultural services:					
Services and supplies	3,926	4,982	4,663	319	4,845
Other charges	236,560	236,560	123,642	112,918	40,568
Total expenditures	240,486	241,542	128,305	113,237	45,413
Excess (deficiency) of revenues over (under) expenditures	(156,965)	(158,021)	(42,630)	115,391	36,846
Other financing sources (uses):					
Transfers in	62,508	73,282	69,659	(3,623)	41,717
Transfers out	(100,812)	(110,530)	(106,711)	3,819	(80,605)
Long-term debt proceeds	78,544	78,544	-	(78,544)	-
Appropriation for contingencies	(12,003)	(12,003)	-	12,003	-
Changes in reserves and designations	3,569	3,569	82,968	79,399	7,976
Other financing sources (uses)	31,806	32,862	45,916	13,054	(30,912)
Net change in fund balance	(125,159)	(125,159)	3,286	128,445	5,934
Fund balance at beginning of year	125,761	125,761	125,761	-	119,827
Fund balance at end of year	\$ 602	602	129,047	128,445	125,761

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Required Supplementary Information

Year ended June 30, 2005

1. BUDGETS AND BUDGETARY INFORMATION

In accordance with the provisions of Section 2900-29144 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 August 30 for each fiscal year. Budgets are adopted for the General Fund on a basis of accounting, which is different from generally accepted accounting principles ("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 to 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 as provided for in the County Budget Act. There were no excesses of expenditures over the related appropriations within any fund at June 30, 2005.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Notes to the Required Supplementary Information

(Continued)

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

The District's Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types has been prepared on the modified accrual basis of accounting in accordance with GAAP. The Budgetary Comparison Schedule – General Fund has been prepared on the budgetary basis, which is different from GAAP.

The following schedule is a reconciliation of the budgetary and GAAP fund balances as of June 30, 2005 (in Thousands):

	<u>General Fund</u>
Fund balance – budgetary basis	\$129,047
Reserves and designations	<u>91,734</u>
Subtotal	220,781
Adjustments:	
Change in accruals	<u>18,021</u>
Fund balance – GAAP basis	<u>\$238,802</u>

OTHER SUPPLEMENTARY INFORMATION

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund

Year Ended June 30, 2005

(in Thousands)

	Debt Service Fund				
	Original Budget	Final Budget	2005 Actual (Budgetary Basis)	Variance - Favorable (Unfavorable)	2004 Actual (Budgetary Basis)
Revenues:					
Investment income	\$ 424	594	665	71	269
Miscellaneous	-	19,540	19,540	-	270
Total revenues	<u>424</u>	<u>20,134</u>	<u>20,205</u>	<u>71</u>	<u>539</u>
Expenditures:					
Debt Service					
Principal	19,565	207,740	207,740	-	18,525
Interest	<u>48,989</u>	<u>54,789</u>	<u>29,120</u>	<u>25,669</u>	<u>20,183</u>
Total expenditures	<u>68,554</u>	<u>262,529</u>	<u>236,860</u>	<u>25,669</u>	<u>38,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,130)</u>	<u>(242,395)</u>	<u>(216,655)</u>	<u>25,740</u>	<u>(38,169)</u>
Other financing sources (uses):					
Transfers in	49,857	78,719	78,288	(431)	39,531
Transfers out	(11,316)	(41,236)	(41,236)	-	-
Long term debt proceeds	-	181,220	181,220	-	-
Changes in reserves and designations	-	(5,897)	(5,897)	-	(643)
Other financing sources (uses) - net	<u>38,541</u>	<u>212,806</u>	<u>212,375</u>	<u>(431)</u>	<u>38,888</u>
Net change in fund balance	(29,589)	(29,589)	(4,280)	25,309	719
Fund balance at beginning of year	<u>29,589</u>	<u>29,589</u>	<u>29,589</u>	-	<u>29,139</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>25,309</u>	<u>25,309</u>	<u>29,858</u>