COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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January 12, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT FOR THE YEAR ENDED JUNE 30, 2011**

Attached are the independently audited financial statements for the Los Angeles County Regional Park and Open Space District (RPOSD) for the year ended June 30, 2011. The auditor's report (attached) concludes that the financial statements are presented fairly in conformance with generally accepted accounting principles and State regulations governing special districts. The auditor also indicated that they found no material deficiencies in RPOSD's controls over financial reporting.

If you have any questions, please call me, or your staff may contact Rachelle Anema at (213) 974-8327.

WLW:JN:CY:JMH:RA
H:\Special Funds\Special Funds Unit\AUDITS\RP&OSD\FY 10-11 Audit\FY2011 Audit Report Cover Letter BOS.doc

Attachments

c: William T Fujioka, Chief Executive Officer
Russ Guiney, Director, Parks and Recreation
Ilona Volkmann, Administrator, Regional Park and Open Space District
Sachi A. Hamai, Executive Officer
Public Information Office
Audit Committee

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Fiscal Year Ended June 30, 2011

(With Independent Auditor's Report Thereon)

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LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 34

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MOSS, LEVY & HARTZHEIM LLP
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Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Los Angeles County Regional Park and Open Space District (the "District"), a component unit of the County of Los Angeles, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior fiscal year summarized comparative financial information has been derived from the financial statements of the District for the fiscal year ended June 30, 2010, which were audited by another audit firm, whose audit report dated December 23, 2010 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the District as of June 30, 2011, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2010, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus.*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

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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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Moss, Levy & Hartzheim, LLP
Culver City, California
December 27, 2011

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
Management's Discussion and Analysis - Unaudited
For the Fiscal Year Ended June 30, 2011

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, 2011. Please read it in conjunction with the accompanying basic financial statements, footnotes, and supplementary information.

Financial Highlights

- As more fully explained in the government-wide financial analysis below and in footnote 1 to the financial statements, net assets were $169 million at June 30, 2011.
- During the current year, the District's net assets increased by $41.6 million.
- The District's General Fund fund balance increased to $310 million.
- The District reduced its outstanding debt during fiscal year 2010-2011 by $26.2 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.

- 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 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.

The fund financial statements can be found on pages 11 and 13 of this report. Net asset/net equity differences between the government-wide and fund statements are highlighted on page 12 and are primarily the result of the inclusion of bonds payable, unamortized bond premium and refunding charges, and accrued interest on bonds payable, and the exclusion of deferred revenue from the government-wide liabilities .

The difference between the changes in net assets/fund balances on the government-wide versus fund statements is highlighted on page 14 and is primarily the result of reporting the repayment of bond principal, the amortization of bond premium and refunding charges, and accrued interest on bonds payable, as expenditures in the fund 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 financial statements.

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	
	FY 2011	FY 2010
Current and other assets	$ 377,644	$ 363,676
Total assets	377,644	363,676
Long-term debt outstanding	203,453	229,640
Other liabilities	5,190	6,624
Total liabilities	208,643	236,264
Net assets-		
Restricted for maintenance and servicing	52,298	50,665
Restricted for debt service	56,723	56,078
Restricted for park and open space preservation	59,980	20,669
Total net assets	$ 169,001	$ 127,412

GASB Statement 34 requires that the government-wide statements reflect a liability for the $203.5 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, in previous years, the Statement of Net Assets has shown negative net assets. This year, the Statement of Net Assets reflected positive net assets for the fifth consecutive year, in the amount of approximately $169 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 net assets related to these bonds are expected to continue to gradually increase as the bonds are redeemed.

Total assets of the District increased by 3.8% from the prior year to $377.6 million due to a $14 million increase in pooled cash and investments, a $0.2 million decrease in assessments receivable, and a $0.1 million increase in interest receivable.

Total liabilities of the District decreased by 11.7% from the prior year to $208.6 million due to a $26.2 million decrease in long-term liabilities (bonds payable) and a $1.4 million decrease in project related expenditure accruals and interest payable.

Total net assets increased $41.6 million to $169 million due to an excess of general revenues ($83.6 million in assessment revenue, investment and other income) over government expenses ($42 million in grants to other agencies, bond interest expense, maintenance and administration).

Table 2
Changes in Net Assets
(in Thousands)

	Governmental Activities (Summary of Statement of Activities)	
	FY 2011	FY 2010
Revenues		
General revenues		
Assessments	$ 80,101	$ 80,115
Investment income	2,581	5,408
Other revenue	884	1,083
Total revenues	83,566	86,606
Expenses		
Recreation and cultural services	32,613	42,780
Interest expense	9,364	10,669
Total expenses	41,977	53,449
Increase (decrease) in net assets	$ 41,589	$ 33,157

Total revenues decreased by $3 million resulting from a decrease of $0.01 million in assessments, $0.2 million in other revenue, and $2.8 million in investment income. The District spent $10.2 million less on park improvements and maintenance in 2011 and interest expense on bonds decreased by $1.3 million.

Fund Statements Financial Analysis

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of $369.2 million, an increase of $15.1 million from the prior year. Current year revenues from the governmental funds were $83.6 million, a decrease of 3.5% from the previous year. Expenditures in the current year were $68.5 million, a decrease of 12.9% from the previous year.

Debt Management

At June 30, 2011, the District had Bonds Payable of $203.4 million, 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 $26.2 million during fiscal year 2011.

Budgets

No material adjustments were made to the District's original General Fund or Debt Service Fund budgets. During fiscal year 2011 the District again spent much less than the amount budgeted for park grants, projects, and maintenance.

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

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LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011
(with comparative totals for June 30, 2010)

(in thousands)

	Governmental Activities	
	2011	2010
ASSETS		
Pooled cash and investments (note 4)	$ 368,600	$ 354,529
Assessments receivable	7,879	8,067
Interest receivable	1,162	1,080
Due from Los Angeles County	3	
Total assets	377,644	363,676
LIABILITIES		
Current liabilities:		
Accounts payable	745	1,180
Accrued interest payable	2,439	2,777
Due to Los Angeles County (note 3)	2,006	2,667
Noncurrent liabilities (note 5):		
Due within one year	27,453	25,375
Due in more than one year	176,000	204,265
Total liabilities	208,643	236,264
NET ASSETS		
Restricted for:		
Maintenance and Servicing	52,298	50,665
Debt Service	56,723	56,078
Park and open space preservation	59,980	20,669
Total net assets	$ 169,001	$ 127,412

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011
(with comparative totals for the fiscal year ended June 30, 2010)

(in thousands)

	Expenses	Program Revenues: Charges for For Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities 2011	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities 2010
Governmental activities:						
Recreation and cultural services	$ 32,613	$	$	$	$ (32,613)	$ (42,780)
Interest expense	9,364				(9,364)	(10,669)
Total	$ 41,977	$	$	$	$ (41,977)	(53,449)
General Revenues:						
Assessment revenue					80,101	80,115
Investment income					2,581	5,408
Other revenue					884	1,083
Total general revenues					83,566	86,606
Change in net assets					41,589	33,157
Net assets, July 1, 2010					127,412	94,255
Net assets, June 30, 2011					$ 169,001	$ 127,412

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011
(with comparative totals for June 30, 2010)

(in thousands)

	General Fund	Debt Service Fund	Totals 2011	Totals 2010
Assets				
Pooled cash and investments (note 4)	$ 309,176	$ 59,424	$ 368,600	$ 354,529
Assessments receivable	7,879		7,879	8,067
Interest receivable	976	186	1,162	1,080
Due from Los Angeles County	3		3	
Due from other funds	448		448	
Total assets	$ 318,482	$ 59,610	$ 378,092	$ 363,676
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 745	$	$ 745	$ 1,180
Due to Los Angeles County (note 3)	2,006		2,006	2,667
Due to other funds		448	448	
Deferred revenue	5,650		5,650	5,700
Total liabilities	8,401	448	8,849	9,547
Fund balances (note 1):				
Restricted for:				
Maintenance and servicing	52,298		52,298	50,665
Debt service		59,162	59,162	58,855
Park and open space preservation	257,783		257,783	244,609
Total fund balances	310,081	59,162	369,243	354,129
Total liabilities and fund balances	$ 318,482	$ 59,610	$ 378,092	$ 363,676

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

(in thousands)

Fund balances of governmental funds (page 11)	$	369,243
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund Balance Sheet because of the following:		
Revenues that do not provide current financial resources are not reported as revenues in the funds.		5,650
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(197,285)
Unamortized bond refunding charge		7,849
Unamortized bond premium		(14,017)
Accrued liabilities in the Statement of Net Assets differ from the amount reported in governmental funds due to accrued interest on bonds payable		(2,439)
Net assets of governmental activities (page 9)	$	169,001

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(with comparative totals for the fiscal year ended June 30, 2010)

(in thousands)

	General Fund	Debt Service Fund	Totals 2011	Totals 2010
Revenues				
Assessments	$ 80,151	$	$ 80,151	$ 80,130
Investment income	2,553	28	2,581	5,408
Other revenue	884		884	1,083
Total revenues	83,588	28	83,616	86,621
Expenditures				
Current:				
Services and supplies	5,059		5,059	3,185
Park improvements	19,810		19,810	20,913
Maintenance and servicing costs	7,744		7,744	18,682
Debt service:				
Principal		25,375	25,375	24,215
Interest		10,514	10,514	11,692
Total expenditures	32,613	35,889	68,502	78,687
Excess (deficiency) of revenues over (under) expenditures	50,975	(35,861)	15,114	7,934
Other financing sources (uses)				
Transfers in (note 7)		36,168	36,168	34,754
Transfers out (note 7)	(36,168)		(36,168)	(34,754)
Total other financing sources (uses)	(36,168)	36,168		
Net changes in fund balances	14,807	307	15,114	7,934
Fund balances, July 1, 2010	295,274	58,855	354,129	346,195
Fund balances, June 30, 2011	$ 310,081	$ 59,162	369,243	$ 354,129

See accompanying notes to the basic financial statements.

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

(in thousands)

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances - governmental funds (page 13)	$ 15,114
Amounts reported for governmental activities in the Statement of Activities differ because of the following:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue from the prior year.	(50)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets.	25,375
Amortization of bond premium and refunding charges are not reported as revenue (expenditures) in the funds.	812
Accrued interest for bonds payable. This is the net change in accrued interest for the current period.	338
Change in net assets of governmental activities (page 10)	$ 41,589

See accompanying notes to the basic financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. History and Organization

General

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

Reporting Entity

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

The District is included in the County's comprehensive annual financial report for the fiscal year ended June 30, 2011.

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

B. Significant Accounting Policies

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

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

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

B. Significant Accounting Policies (Continued)

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, and 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 fiscal year then ended.

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.

The District's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

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

B. Significant Accounting Policies (Continued)

These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. As of June 30, 2011, the District had no debt obligations related to capital assets.

Restricted net assets – This component of net assets represents restricted assets net of liabilities that relate to those specific restricted assets. A restricted asset is an asset for which constraints have been placed on the asset's use by creditors, contributors, laws, or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be narrower than the general purposes for which the reporting government can use its resources. As of June 30, 2011, the District had restricted net assets of $169,001,000.

The Proposition requires that not less than 15% of all proceeds of assessments levied and collected shall be used for the maintenance and servicing of completed projects. As a result, the amount of assessments collected for maintenance and servicing and unspent as of June 30, 2011 has been reflected as restricted net assets on the Statement of Net Assets.

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. Any 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. In future years, net assets are expected to continue to gradually increase as the bonds are redeemed.

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.

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

B. Significant Accounting Policies (Continued)

Governmental Type Funds

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

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

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

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

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

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

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

B. Significant Accounting Policies (Continued)

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 revenues represented by non-current receivables is deferred until they become current receivables.

Non-current portions of other long-term receivables are offset by nonspendable or restricted fund balance 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 are 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.

New Accounting Pronouncements

The District implemented the requirements of GASB Statements No. 54 and No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*
This Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement affects the Balance Sheet – Governmental Funds for the fiscal year ended June 30, 2011 by changing the classification of the fund balances. See Note 1H for detailed information on the effect on these financial statements.

GASB Statement No. 59 – *Financial Instruments Omnibus*
This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to establish standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

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

C. Major Funds

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

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

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

D. Cash and Investments

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

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

E. Capital Assets

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

Selected information regarding the prior fiscal year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's prior fiscal year financial statements, from which this selected financial data was derived. Certain reclassifications have been made to the 2010 financial statements to conform to the current presentation. These reclassifications had no effect on the previously reported net assets, fund balances, or change in net assets or change in fund balances.

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

H. Fund Balance

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

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

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

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

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

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

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

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

NOTE 2 BENEFIT 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

NOTE 2 BENEFIT ASSESSMENTS (Continued)

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 assessments are used to pay for the District's ongoing administrative expenses.

NOTE 3 TRANSACTIONS WITH THE COUNTY AND OTHER AGENCIES

The County is responsible for providing all necessary employees to the District for purposes of performing all District functions. Costs related to these employees are billed to the District based on actual time spent providing District services. Accordingly, the District has no salaries and employee benefit expenditures or supplies inventory. Accrued expenditures in the amount of $2,006,000 as of June 30, 2011, for services provided by the County and other agencies for reimbursable projects, have been recorded as "Due to Los Angeles County".

NOTE 4 CASH AND INVESTMENTS

Pooled Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Pooled cash and investments	$368,599,991
Total cash and investments	$368,599,991

Cash and investments as of June 30, 2011 consist of the following:

Equity in County Treasury pool	$368,599,991
Total cash and investments	$368,599,991

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.

NOTE 4 CASH AND INVESTMENTS (Continued)

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

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 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.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Government Obligations	None	None	None	None
Los Angeles County Bonds	AA	None	None	None
State or Local Government Obligations	AA	None	None	None
Bankers' 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

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 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.

NOTE 4 CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 24 Months	More Than 24 Months
LA County Treasury Pool	$368,599,991	$ 368,599,991	$	$
Total	$368,599,991	$ 368,599,991	$	$

Disclosures Related to Credit Risk

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

		Minimum Legal	Exempt From	Rating as of Fiscal Year End	
Investment Type	Total	Rating	Disclosure	AAA	Not Rated
LA County Treasury Pool	$ 368,599,991	None	$	$	$ 368,599,991
Total	$ 368,599,991		$	$	$ 368,599,991

NOTE 4 CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have significant separate certificates of deposit or demand accounts with fiscal agents that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The District does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer's Pool is presented in Note 5 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011.

NOTE 5 LONG-TERM OBLIGATIONS

The following is a summary of the changes in outstanding bonded indebtedness during the fiscal year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Due Within One Year
2005 A Bonds	$ 146,640,000	$	$ (16,635,000)	$ 130,005,000	$ 17,385,000
Deferred Loss on Refunding	(8,830,163)		981,129	(7,849,034)	(981,129)
Premium	15,810,943		(1,793,610)	14,017,333	1,874,476
2007 A Bonds	76,020,000		(8,740,000)	67,280,000	9,175,000
Totals	$ 229,640,780	$	$ (26,187,481)	$ 203,453,299	$ 27,453,347

NOTE 5 LONG-TERM OBLIGATIONS (Continued)

2005A Refunding Revenue Bonds Issuance

On January 20, 2005, the District issued $181,220,000 in Refunding Revenue Bonds, Series 2005A, with interest rates ranging from 3.0% to 5.25%. The bonds were issued to advance refund $188,175,000 of the outstanding principal of the Series 1997A Bonds. The net proceeds of the bonds plus a portion of the 1997 bond reserve were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1997 bonds. As a result, that portion has been removed from the Government-wide Statement of Net 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 October 2019. The outstanding balance as of June 30, 2011 is $130,005,000.

The District has established and maintained a reserve account in accordance with the bond indenture. The reserve account has a balance of $17,757,356 as of June 30, 2011. The funding in such amount provides a source of security that facilitated the marketing of the bonds at the interest rates provided thereon, was necessary for the District to obtain ratings from the rating agencies, was a vital factor in marketing the bonds, and is not in excess of the amount reasonably necessary for such purposes.

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

	2005A Refunding Bonds			
Fiscal Year Ended June 30	Principal	Interest	Total	Premium on Amortization
2012	$ 17,385,000	$ 6,135,763	$ 23,520,763	$ 1,874,477
2013	18,230,000	5,260,388	23,490,388	1,965,586
2014	19,140,000	4,326,138	23,466,138	2,063,703
2015	20,095,000	3,345,263	23,440,263	2,166,673
2016	21,100,000	2,315,388	23,415,388	2,275,033
2017-2020	34,055,000	3,690,356	37,745,356	3,671,861
Total	$ 130,005,000	$ 25,073,296	$ 155,078,296	$ 14,017,333

NOTE 5 LONG-TERM OBLIGATIONS (Continued)

2007A Refunding Revenue Bonds Issuance

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

The 2007A Refunding Revenue Bonds are payable from the proceeds of annual assessments levied on parcels within the District boundaries. Interest is payable April 1 and October 1 of each year. Final bonds mature in October 2019. The outstanding balance as of June 30, 2011 is $67,280,000.

The District has established and maintained a reserve account in accordance with the bond indenture. The reserve account has a balance of $9,796,144 as of June 30, 2011. The funding in such amount provides a source of security that facilitated the marketing of the bonds at the interest rates provided thereon, was necessary for the District to obtain ratings from the rating agencies, was a vital factor in marketing the bonds, and is not in excess of the amount reasonably necessary for such purposes.

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

Fiscal Year Ended June 30	2007A Refunding Bonds		
	Principal	Interest	Total
2012	$ 9,175,000	$ 3,134,625	$ 12,309,625
2013	9,625,000	2,664,625	12,289,625
2014	10,115,000	2,171,125	12,286,125
2015	10,640,000	1,652,250	12,292,250
2016	11,170,000	1,107,000	12,277,000
2017-2020	16,555,000	1,705,125	18,260,125
Total	$ 67,280,000	$ 12,434,750	$ 79,714,750

NOTE 6 PLEDGED REVENUE

The District has two debt issuances outstanding that are collateralized by the pledging of property tax assessment revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in note 5, along with the purpose for which the proceeds of the related debt issuances were utilized. For the current fiscal year, debt service payments as a percentage of the pledged gross revenue (net of certain Administrative and Maintenance expenses where so required by the debt agreement) are indicated in the table below. This percentage also approximates the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (in thousands)	Annual Debt Service Payments of all Debt Secured by This Revenue (in thousands)	Debt Service as a Percentage of Pledged Revenue
Special assessment collections	$ 64,121	$ 35,890	56%

NOTE 7 INTERFUND TRANSFERS

Transfers in and out for the fiscal year ended June 30, 2011 are as follows:

Transfers From	Transfers To	Amount
General Fund	Debt Service Fund	$ 36,168,074*

* To transfer funds to cover debt service payments.

NOTE 8 CONTINGENT LIABILITIES

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

NOTE 9 COMMITMENTS AND CONTINGENCIES

The District uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of application appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2011, the encumbrance balances for the District is $59,899,000 as reported in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2011

(in thousands)

	Budgeted Amounts		2011 Actual	Variance with Final Budget- Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues				
Assessments	$ 81,908	$ 81,908	$ 79,799	$ (2,109)
Fines, forfeitures and penalties	818	818	884	66
Investment income	5,738	5,738	4,072	(1,666)
Total revenues	88,464	88,464	84,755	(3,709)
Expenditures				
Recreation and cultural services:				
Services and supplies	5,282	5,282	5,118	164
Other charges	192,149	192,149	26,156	165,993
Total expenditures	197,431	197,431	31,274	166,157
Excess (deficiency) of revenues over (under) expenditures	(108,967)	(108,967)	53,481	162,448
Other financing sources (uses)				
Transfers in	82,324	82,324	73,768	(8,556)
Transfers out	(117,821)	(117,821)	(109,936)	7,885
Appropriation for contingencies	(14,780)	(14,780)		14,780
Changes in reserves and designations	(5,504)	(5,404)	(3,527)	1,877
Other financing sources (uses)	(55,781)	(55,681)	(39,695)	15,986
Net change in fund balance	(164,748)	(164,648)	13,786	178,434
Fund balance, July 1, 2010	165,189	165,189	165,189	
Fund balance, June 30, 2011	$ 441	$ 541	$ 178,975	$ 178,434

See notes to the required supplementary information

LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011

1. BUDGETS AND BUDGETARY INFORMATION

In accordance with the provisions of Section 29000-29144 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, a District budget is adopted on or before August 30 for each fiscal year. Budgets are adopted for the General Fund on a basis of accounting, which is different from accounting principles generally accepted in the United States of America ("GAAP").

The budget adopted by the District for fiscal year 2010-2011 uses the fund balance language of the County Budget Act, which has not yet been updated to reflect GASB Statement No. 54. As such, the District has not presented the GASB Statement No. 54 terminology Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual for changes in reserves and designations.

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

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

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

Expenditures are controlled on the object level for all District budgets. Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance provided for in the County Budget Act. There were no expenditures that exceeded the related appropriations within any fund as of June 30, 2011.

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

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

2. RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS (Continued)

The following schedule is a reconciliation of the budgetary and net changes in GAAP fund balances as of June 30, 2011 (in thousands):

	General Fund	Debt Service
Net change in fund balance - budgetary basis	$ 13,786	$ 228
Reserves and designations	3,527	391
Subtotal	17,313	619
Adjustments:		
Changes in accruals	(2,506)	(312)
Net change in fund balance - GAAP basis	$ 14,807	$ 307

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OTHER SUPPLEMENTARY INFORMATION

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LOS ANGELES COUNTY REGIONAL PARK AND OPEN SPACE DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2011

(in thousands)

	Budgeted Amounts		2011 Actual	Variance with Final Budget- Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues				
Investment income	$ 814	$ 814	$ 340	$ (474)
Total revenues	814	814	340	(474)
Expenditures				
Debt Service				
Principal	25,375	25,375	25,375	
Interest	20,503	20,503	10,514	9,989
Total expenditures	45,878	45,878	35,889	9,989
Excess (deficiency) of revenues over (under) expenditures	(45,064)	(45,064)	(35,549)	9,515
Other financing sources (uses)				
Transfers in	35,497	35,497	36,168	671
Changes in reserves and designations	(391)	(391)	(391)	
Other financing sources (uses)	35,106	35,106	35,777	671
Net change in fund balance	(9,958)	(9,958)	228	10,186
Fund balance, July, 1 2010	9,958	9,958	9,958	
Fund balance, June 30, 2011	$	$	$ 10,186	$ 10,186

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

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

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"), a component unit of the County of Los Angeles, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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 provisions 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 objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Moss, Levy & Hartzheim, LLP
Culver City, CA
December 27, 2011

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