

**WESTERN RIVERSIDE COUNTY
REGIONAL CONSERVATION AUTHORITY**

**BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Riverside County Regional Conservation Authority
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Western Riverside County Regional Conservation Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 25, 2019

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2019

As management of the Western Riverside County Regional Conservation Authority (the "Authority"), we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased by \$32.3 million or 7.1% during the fiscal year. This is the amount by which total revenues exceeded total expenses for the year.
- Capital assets increased by \$33.9 million. Approximately 1,767 acres of conserved land were acquired during the year. Funding for the properties included Multiple Species Habitat Conservation Plan (MSHCP) local development mitigation fees, Measure A funds, federal and state grants, and land donations.
- Total fund balances of the Authority's governmental funds were \$44.3 million at the close of the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* includes all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. It includes all the current year's revenues and expenses, regardless of the timing of related cash flows. The government-wide financial statements report the functions of the Authority that are principally supported by mitigation contributions, intergovernmental revenues, and charges for services. The governmental activities of the Authority include general government operations, management and monitoring, and land acquisition.

The government-wide financial statements can be found on pages 12-13 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements; however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

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Management's Discussion and Analysis

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funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the Authority's major governmental funds comprised of the General Fund, Capital Projects Fund and Permanent Endowment Fund. The governmental fund financial statements, including the reconciliation between the fund financial statements and the government-wide financial statements, can be found on pages 14-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

Other Information

The Authority adopts an annual appropriations budget for its General Fund and the Capital Projects Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$484.3 million at the close of the most recent fiscal year.

Net Position

	As of June 30:		
	2019	2018	Change
Assets			
Capital assets	\$ 444,026,664	\$ 410,095,553	\$ 33,931,111
Other assets	53,539,785	51,007,384	2,532,401
Total assets	497,566,449	461,102,937	36,463,512
Liabilities			
Other liabilities	10,127,595	4,923,478	5,204,117
Long-term liabilities	3,155,279	4,155,279	(1,000,000)
Total liabilities	13,282,874	9,078,757	4,204,117
Net position			
Net investment in capital assets	440,871,385	405,940,274	34,931,111
Restricted	15,932,899	21,404,315	(5,471,416)
Unrestricted	27,479,291	24,679,591	2,799,700
Total net position	\$ 484,283,575	\$ 452,024,180	\$ 32,259,395

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

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- By far the largest portion of the Authority's net position, \$440.9 million (91.0%), reflects its investment in capital assets (i.e., land, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. During the year, the Authority acquired 1,767 acres of land, increasing capital assets and the net investment in capital assets by \$34.9 million.
- A portion of the Authority's net position, \$15.9 million (3.3%), represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$27.5 million (5.7%) is unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's total program and general revenues were \$38.6 million, while the total cost of all programs was approximately \$6.6 million. Total revenues increased by \$4.3 million (12.6%) whereas the total cost of all programs increased by \$557 thousand (9.2%). Key elements of these changes are as follows:

Changes in Net Position

	For the Years Ended June 30:		
	2019	2018	Change
Revenues			
Program revenues			
Charges for services	\$ 109,309	\$ 153,467	\$ (44,158)
Operating grants/contributions	8,354,183	7,780,176	574,007
Capital grants/contributions	29,057,745	26,028,535	3,029,210
General revenues			
Unrestricted investment earnings	703,663	207,928	495,735
Gain on sale of capital assets	234,480	-	234,480
Other general	112,428	93,918	18,510
Total revenues	38,571,808	34,264,024	4,307,784
Expenses			
General operations	325,881	433,570	(107,689)
Management and monitoring	2,982,029	2,729,978	252,051
Land acquisition	3,246,512	2,840,804	405,708
Interest	74,058	67,096	6,962
Total expenses	6,628,480	6,071,448	557,032
Excess before permanent	31,943,328	28,192,576	3,750,752
Contribution to permanent	316,067	473,147	(157,080)
Increase in net position	32,259,395	28,665,723	3,593,672
Net position, beginning	452,024,180	423,358,457	28,665,723
Net position, ending	\$ 484,283,575	\$ 452,024,180	\$ 32,259,395

- Charges for services consisting of joint project reviews decreased by 28.8%, from \$153 thousand in fiscal year 2018 to \$109 thousand in fiscal year 2019. During fiscal year 2018, the Authority received a total of 25 private joint project reviews compared to 20 during fiscal year 2019.
- Operating grants and contributions increased by \$574 thousand, or 7.4%, for the following reasons:
 - Infrastructure contributions from Flood Control increased by \$381 thousand from \$114 thousand in fiscal year 2018 to \$495 thousand in fiscal year 2019.

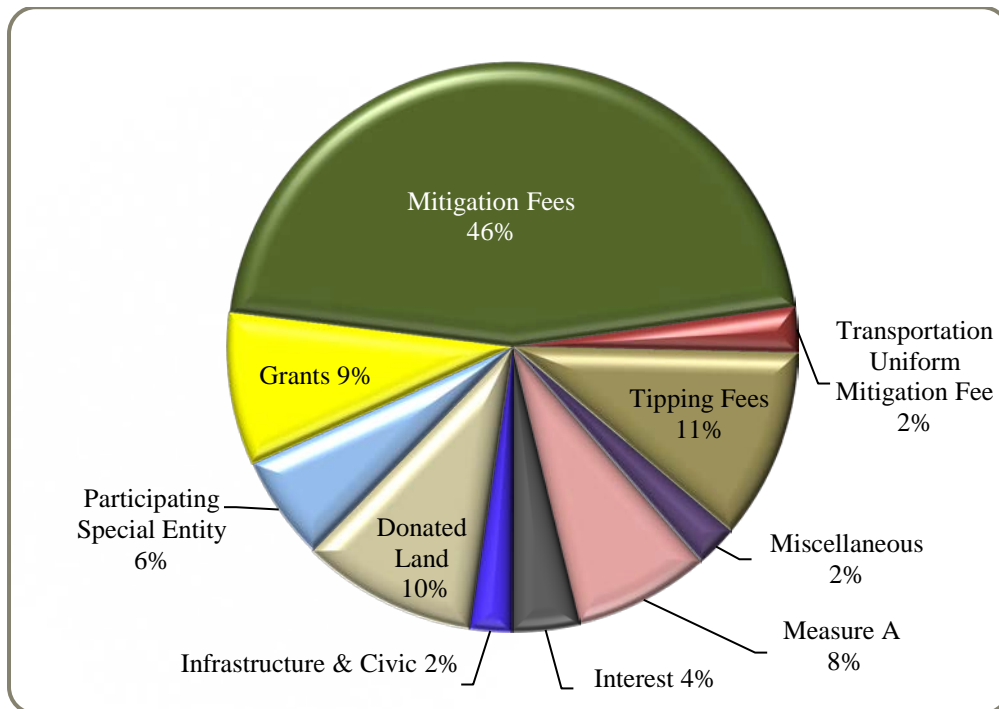
WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2019

- Interest increased by \$125 thousand in the Permanent Endowment Fund, from \$46 thousand in fiscal year 2018 to \$171 thousand in fiscal year 2019. This is a result of increases in the average interest rates from 1.5% in fiscal year 2018 compared to 2.2% in the current year. Cash balance in the current year also increased the Permanent Endowment Fund by \$1.2 million during the year.
- Capital grants and contributions increased by \$3.0 million, or 11.6%. The following amounts represent the significant sources:
 - Developer mitigation fees increased by \$3.1 million in the current year in comparison to prior year due to increased industrial and residential development in the current year. During the current year, the Authority received mitigation fees from the member agencies for approximately 6,387 new residential units and about 839.6 new commercial/industrial acreage.
 - The Authority's federal and state capital grant contributions amounted to \$3.1 million for fiscal year 2019. Last fiscal year, none of the properties acquired were eligible for federal reimbursement; accordingly, no federal or state capital grant contributions were received during fiscal year 2018.
 - Those increases were offset by a decrease of \$3.3 million in land donations. In the current year, the Authority received four land donations with an acquisition value of \$3.9 million and approximately 298 acres, whereas in fiscal year 2018, eight land donations and two conservation easements were received with a value of \$7.1 million and approximately 933 acres.

Total Program and General Revenues by Source



- General Operations expenses decreased by \$108 thousand. The decrease was attributable to a decrease in contract payment to an environmental consultant firm for joint project reviews conducted during the year. As noted earlier, revenues from charges for services also decreased this year, as contractual costs are reimbursed from the applicant of joint project review.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

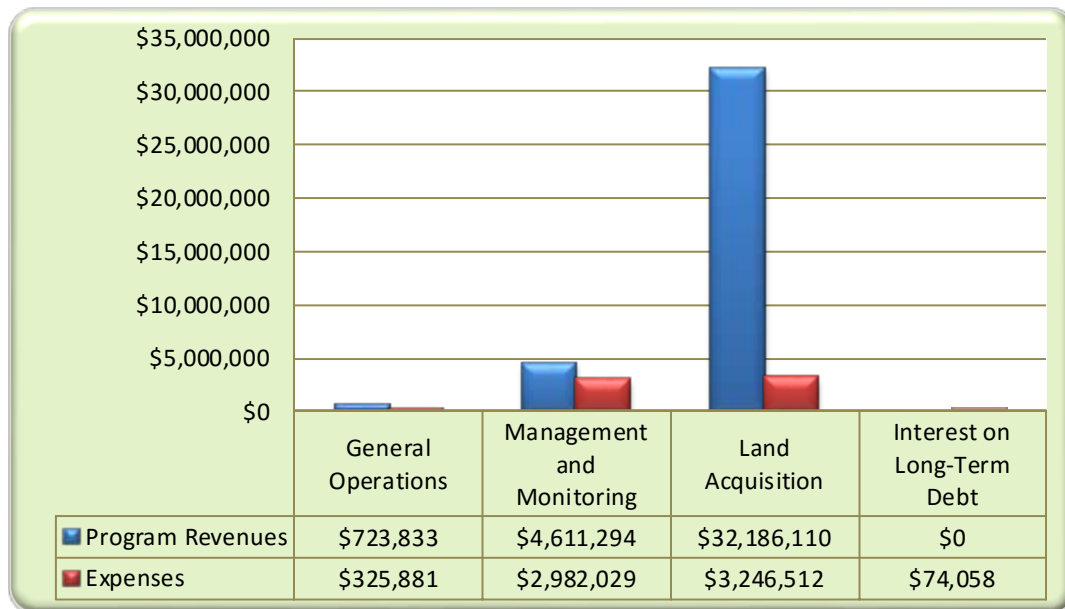
Management’s Discussion and Analysis

June 30, 2019

- Land Management and Monitoring expenses increased by \$252 thousand, or 9.2%, which resulted from the following:
 - Increase in contractual labor costs due to the retirement of the director of land management and monitoring which triggered a retirement payout.
 - Increase in legal costs associated with defending the use of reserve land against improper use from a private developer.

- Land acquisition expenses increased by \$406 thousand, or 14.3%, primarily due to an increase in legal costs associated with development pressure within the MSHCP boundaries. A slight increase is also attributable to the contractual cost associated with public outreach efforts.

Expenses and Program Revenues - Governmental Activities



Financial Analysis of Governmental Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with legal requirements. The focus of the Authority’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority’s governmental funds reported combined fund balance of \$44.3 million, a decrease of \$2.3 million in comparison with the prior year. Approximately 58.0%, or \$25.7 million, is unassigned, which is available for spending at the Authority’s discretion. About \$4.3 million, or 9.8%, is nonspendable from permanent endowment contributions. An additional \$12.5 million, or 28.1%, constitutes restricted fund balance for land acquisition and management and monitoring programs as outlined in Note 5 to the basic financial statements. The remaining \$1.8 million has been committed or assigned for endowment for future management and monitoring of the reserve land.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2019

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$25.7 million, while restricted fund balance was \$81 thousand for the management and monitoring programs. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 770.6% of total General Fund expenditures, while total fund balance represents approximately 773.1% of that same amount.

The Capital Projects Fund had a \$5.5 million decrease in fund balance during the current fiscal year from \$17.5 million in fiscal year 2018 to \$12 million in the current year. The fund balance of \$12 million is restricted by external contributors for land acquisition and related costs.

Fund balance in the Permanent Endowment Fund increased by \$1.2 million. The increase was attributable to various components: a \$316 thousand endowment fund contributions from a private developers for future land management and maintenance of land donated to the Authority, a \$230 thousand allocation in participating special entity fees, a \$500 thousand endowment from landfill tipping fees, and \$171 thousand in interest revenue earned for the year.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the original budgeted revenues were increased by \$180 thousand in landfill tipping fees. Appropriations in management and monitoring were increased by same amount to cover the cost of a retirement payout for two employees contracted by the Authority.

Final budget compared to actual results.

The most significant differences between estimated revenues and actual revenues were as follows:

- Landfill tipping revenues were budgeted at \$3.0 million. The County of Riverside (the County) contributes \$1.50 per ton of the tipping fees for out-of-county waste collected at the County's landfills. The out-of-county tonnage disposal this year surpassed the expectations. Thus, actual revenues of \$3.7 million exceeded the budget by \$730 thousand.
- Interest was budgeted at \$233 thousand. The actual interest earned of \$703 thousand exceeded the budget by \$470 thousand. Interest rates were budgeted at 1% but actual interest rates were about 2.2% for the year.

The variance between the final budget and actual expenditures:

- Actual expenditures for services and supplies were under the budget by \$133 thousand for the General Operations program. The savings resulted from a decrease in general legal representation and savings in contractual cost associated with joint project reviews during the year.
- Actual expenditures for services and supplies were well under the budget by approximately \$409 thousand for management and monitoring. This resulted from savings in contract agreement with Riverside County Regional Park and Open-Space District for management services of the Authority's reserve lands and savings in biological monitoring services. The savings resulted from vacancies during the year for three positions which were not fulfilled until the end of the fiscal year.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2019

Capital Assets and Debt Administration

The Authority's investment in capital assets for its governmental funds as of June 30, 2019 amounts to \$444 million. This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, and equipment. The total increase in the Authority's capital assets was 8.3%.

Capital Assets

	June 30,	
	2019	2018
Land	\$ 436,940,761	\$ 403,471,933
Land acquisition in process	999,317	1,033,035
Conservation easements	4,408,203	4,408,203
Buildings and improvements	1,618,757	1,054,757
Land improvements	509,067	471,013
Equipment and software	357,335	494,041
Total capital assets	444,833,440	410,932,982
Less accumulated depreciation	(806,776)	(837,429)
Total capital assets, net	\$ 444,026,664	\$ 410,095,553

During the year, the Authority acquired twenty-six new properties for a total of 1,767 acres as follows:

- The Authority received four land donations from private developers and from the Riverside County Transportation Commission. The donated land of approximately 298 acres had an acquisition value of \$3.9 million at the time of donation.
- The Authority also acquired twenty-two properties totaling 1,469 acres using MSHCP local development mitigation fees, Measure A funds, federal and state grants funds, and Transportation Uniform Mitigation Fee funds.
- Additionally, the Authority purchased one new vehicle for management and monitoring of the land reserve.

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

Long-term Debt

As of June 30, 2019, the Authority has an installment sale note with a private seller and a loan with the County of Riverside. The second installment payment of \$1 million was made this year toward the County's loan. For additional information regarding long-term debt, see Note 9.

Economic Factors and Next Year's Budget and Rates

The MSHCP contains a provision for an annual fee adjustment based on the Consumer Price Index (Riverside-San Bernardino-Ontario, CA), resulting in an increase of 3% for fiscal year 2020. This increase was incorporated into the Authority's Budget for fiscal year 2020 which was approved by the Board of Directors on May 6, 2019.

The U.S. Department of the Interior, Fish and Wildlife Service, has awarded the California Department of Fish and Wildlife \$2.0 million in Federal Cooperative Endangered Species Conservation Fund Grant funds for program year 2017 to be passed-through to the Authority upon purchase of eligible reserve land. The grant funds are restricted for land acquisition costs only.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Management's Discussion and Analysis
June 30, 2019

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the Western Riverside County Regional Conservation Authority, 3403 10th Street, Suite 320, Riverside, California, 92501, (951) 955-9700.

BASIC FINANCIAL STATEMENTS

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Statement of Net Position

June 30, 2019

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 42,526,161
Accounts receivable, net (Note 3)	4,535,355
Interest receivable	240,913
Restricted cash and investments (Note 2)	6,237,356
Capital assets (Note 4):	
Depreciable, net	1,678,383
Nondepreciable	442,348,281
Total Assets	<u>497,566,449</u>
LIABILITIES	
Current liabilities:	
Accounts payable	336,917
Contracted labor payable	140,870
Customer deposits	1,500
Unearned revenue (Note 7)	8,757,817
Accrued interest payable	35,025
Contract related payables (Note 8)	173,861
Long-term obligations due within one year (Note 9)	1,155,279
Non-current liabilities	
Contract related payables (Note 8)	681,605
Long-term obligations due in more than one year (Note 9)	2,000,000
Total Liabilities	<u>13,282,874</u>
NET POSITION (Note 5)	
Net investment in capital assets	440,871,385
Restricted for:	
Management and monitoring:	
Expendable	404,260
Nonexpendable	4,329,605
Land acquisition	11,199,034
Unrestricted	27,479,291
Total Net Position	<u>\$ 484,283,575</u>

The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Statement of Activities

For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General operations	\$ 325,881	\$ 109,309	\$ 614,524	\$ -	\$ 397,952
Management and monitoring	2,982,029	-	4,611,294	-	1,629,265
Land acquisition	3,246,512	-	3,128,365	29,057,745	28,939,598
Interest	74,058	-	-	-	(74,058)
Total governmental activities	<u>\$ 6,628,480</u>	<u>\$ 109,309</u>	<u>\$ 8,354,183</u>	<u>\$ 29,057,745</u>	<u>30,892,757</u>
General Revenues:					
Unrestricted investment earnings					703,663
Other revenue					112,428
Gain on sale of capital assets					234,480
Contributions to permanent endowment					316,067
Total general revenues					<u>1,366,638</u>
Change in net position					32,259,395
Net position beginning of year					<u>452,024,180</u>
Net position end of year					<u>\$ 484,283,575</u>

The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Balance Sheet – Governmental Funds

June 30, 2019

	General	Capital Projects	Permanent Endowment	Total
ASSETS				
Cash and investments (Note 2)	\$ 23,794,362	\$ 18,436,803	\$ 294,996	\$ 42,526,161
Accounts receivable, net (Note 3)	2,179,188	2,356,167	-	4,535,355
Interest receivable	115,106	97,230	28,577	240,913
Restricted cash and investments (Note 2)	79,986	-	6,157,370	6,237,356
Total assets	\$ 26,168,642	\$ 20,890,200	\$ 6,480,943	\$ 53,539,785
LIABILITIES				
Accounts payable	\$ 144,360	\$ 192,557	\$ -	\$ 336,917
Contracted labor payable	40,036	100,834	-	140,870
Customer deposits	1,500	-	-	1,500
Unearned revenue (Note 7)	142,426	7,906,907	-	8,049,333
Total liabilities	328,322	8,200,298	-	8,528,620
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1)	89,700	631,917	-	721,617
Total deferred inflows of resources	89,700	631,917	-	721,617
FUND BALANCES (Note 5):				
Nonspendable	-	-	4,329,605	4,329,605
Restricted	80,687	12,057,985	323,573	12,462,245
Committed	-	-	500,000	500,000
Assigned	-	-	1,327,765	1,327,765
Unassigned	25,669,933	-	-	25,669,933
Total fund balances	25,750,620	12,057,985	6,480,943	44,289,548
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,168,642	\$ 20,890,200	\$ 6,480,943	\$ 53,539,785

The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

**Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position**

June 30, 2019

Total fund balances - governmental funds	\$ 44,289,548
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	444,026,664
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	721,617
Unearned mitigation revenues exchanged for land, not reported in the governmental funds (Note 7).	(708,484)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(3,155,279)
Contract related payables	(855,466)
Accrued interest payable	(35,025)
Net position of governmental activities	<u>\$ 484,283,575</u>

The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent Endowment</u>	<u>Total</u>
REVENUES				
Mitigation fees (Note 6)	\$ -	\$ 17,770,583	\$ -	\$ 17,770,583
Measure A	-	3,000,000	-	3,000,000
Transportation uniform mitigation fee	-	1,250,000	-	1,250,000
Infrastructure mitigation contributions	392,565	530,726	-	923,291
Participating special entities	221,959	1,845,979	229,765	2,297,703
Landfill tipping fees	3,710,430	-	500,000	4,210,430
Federal and state contributions	-	3,077,000	-	3,077,000
Grants non-governmental agencies	-	293,333	-	293,333
Interest	703,663	607,783	171,099	1,482,545
Joint project review	109,309	-	-	109,309
Miscellaneous revenue	110,128	143,877	-	254,005
Total revenues	<u>5,248,054</u>	<u>28,519,281</u>	<u>900,864</u>	<u>34,668,199</u>
EXPENDITURES				
Current:				
General operations	343,849	-	-	343,849
Management and monitoring	2,971,630	-	-	2,971,630
Land acquisition	-	3,269,691	-	3,269,691
Debt Service:				
Principal	-	1,000,000	-	1,000,000
Interest	-	75,033	-	75,033
Capital outlay	15,551	30,063,379	-	30,078,930
Total expenditures	<u>3,331,030</u>	<u>34,408,103</u>	<u>-</u>	<u>37,739,133</u>
Excess (deficiency) of revenues over (under) expenditures	1,917,024	(5,888,822)	900,864	(3,070,934)
OTHER FINANCING SOURCES				
Sale of capital assets	26,600	426,050	-	452,650
Contributions to permanent endowment	-	-	316,067	316,067
Total other financing sources	<u>26,600</u>	<u>426,050</u>	<u>316,067</u>	<u>768,717</u>
Net change in fund balances	1,943,624	(5,462,772)	1,216,931	(2,302,217)
Fund balances beginning of the year	23,806,996	17,520,757	5,264,012	46,591,765
Fund balances end of year	<u>\$ 25,750,620</u>	<u>\$ 12,057,985</u>	<u>\$ 6,480,943</u>	<u>\$ 44,289,548</u>

The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (2,302,217)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	30,078,930
Donations of capital assets	3,862,000
Less current year depreciation expense	(104,080)
Loss on disposal of assets	(365,739)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Principal payment on long-term debt	1,000,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Mitigation revenues recognized current year (Note 7)	37,872
Change in unavailable funds	(143,343)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in contract related payables	194,997
Change in accrued interest payable	975

Change in net position of governmental activities	\$ 32,259,395
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The accompanying notes are an integral part of these financial statements.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies

The Western Riverside County Regional Conservation Authority (the “Authority”) was formed in January 2004 under a joint exercise of powers agreement between the County of Riverside (the “County”) and the Cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula for the purpose of acquiring, administering, operating, and maintaining land and facilities for ecosystem conservation and habitat reserves for certain rare, threatened, and endangered species covered by the Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP) under Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California. Amendment No. 3 to Joint Exercise of Powers Agreement dated April 7, 2009 annexed the Cities of Menifee and Wildomar. Amendment No. 4 to Joint Exercise of Powers Agreement dated May 5, 2011 annexed the City of Eastvale. Amendment No. 5 to Joint Exercise of Powers Agreement dated December 5, 2011 annexed the City of Jurupa Valley.

The Authority uses the County of Riverside’s accounting system to record all of its financial transactions. The accounting policies of the Authority conform to the accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Authority’s Board of Directors is composed of five members of the Riverside County Board of Supervisors and one elected official from each member city. The Authority’s Board of Directors is as follows:

Jonathan Ingram	Chairperson	City of Murrieta
Natasha Johnson	Vice Chairperson	City of Lake Elsinore
Daniela Andrade	Member	City of Banning
Julio Martinez	Member	City of Beaumont
Ed Clark	Member	City of Calimesa
Jeremy Smith	Member	City of Canyon Lake
Jacque Casillas	Member	City of Corona
Jocelyn Yow	Member	City of Eastvale
Michael Perciful	Member	City of Hemet
Lorena Barajas	Member	City of Jurupa Valley
Lesa Sobek	Member	City of Menifee
David Marquez	Member	City of Moreno Valley
Kevin Bash	Member	City of Norco
David S. Rabb	Member	City of Perris
Andy Melendrez	Member	City of Riverside
Crystal Ruiz	Member	City of San Jacinto
James Stewart	Member	City of Temecula
Joseph Morabito	Member	City of Wildomar
Kevin Jeffries	Member	County of Riverside, 1 st District Supervisor
Karen Spiegel	Member	County of Riverside, 2 nd District Supervisor
Chuck Washington	Member	County of Riverside, 3 rd District Supervisor
V. Manuel Perez	Member	County of Riverside, 4 th District Supervisor
Jeff Hewitt	Member	County of Riverside, 5 th District Supervisor

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The *Government-wide Financial Statements* report information on all of the activities of the Authority. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Mitigation fees are recorded as revenue in the year they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *Governmental Fund Financial Statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to the County of Riverside contracted labor services, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Interest, mitigation fees, and infrastructure mitigation contributions 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by Authority.

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition of land and construction thereon for ecosystem conservation and habitat reserve. Operating expenditures incurred for accomplishing this purpose are also accounted for in this fund.

The *Permanent Endowment Fund* is used to account for resources that are restricted to the extent that only earnings, and not principal, may be used.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as unrestricted interest and miscellaneous income, not properly included among program revenues, are reported as general revenues.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies (Continued)

Investment Valuation

The Authority recognizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority reported an unrealized gain in the amount of \$192,097, which is reported with other investment earnings as part of nonoperating revenues.

Capital Assets

Capital assets generally result from expenditures in the governmental fund. These assets are reported on the government-wide statement of net position but are not reported in the governmental fund financial statements.

Capital assets are stated at cost. Capital assets that have been donated are stated at their estimated acquisition value at the date of donation. The Authority maintains a capitalization threshold of \$5,000 for equipment, intangible assets, land improvements and construction in progress and \$1 for real property and acquisitions in progress. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized. Unimproved land and conservation easements are not depreciated. Land improvements, buildings and improvements, and equipment are depreciated on a straight-line basis over the assets' estimated useful lives. The ranges of lives used for depreciation purposes for each capital asset class are as follows:

Buildings and Improvements	10 - 50 Years
Land Improvements	10 - 25 Years
Equipment	3 - 5 Years
Vehicles	6 Years
Website Development	15 Years

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue of \$721,617. Of this amount, \$631,917 represents transportation uniform mitigation fees and \$89,700 represents the sale of certain assets as of June 30, 2019. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

In the fund financial statements, the governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances to show the level of constraint governing the use of the funds. Restricted fund balances are restricted for specific purposes by third parties or enabling legislation. Committed fund balances include amounts that can be used only for specific purposes determined by adoption of formal resolution by the Board of Directors (the Board). Assigned fund balances comprise amounts intended to be used by the Authority for specific purposes as determined by the Authority's management. When both restricted and unrestricted resources are available for use, it is the Authority's

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies (Continued)

Fund Equity (Continued)

policy to use restricted resources first and then unrestricted resources. When unrestricted funds are available for the same purpose, it is the Authority's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements as of July 1, 2018:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to the financial statements related to debt. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

Future Accounting Pronouncements

The following GASB Statements have been issued prior to June 30, 2019. The Authority has not determined the effect of these statements in future financial statements:

GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of the construction period. This statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*. The primary objective of this statement is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization. This statement is effective for fiscal years beginning after December 15, 2018.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this statement is to provide a single method of reporting debt obligations by issuers and eliminate diversity in practices. This statement is effective for fiscal years beginning after December 15, 2020.

2. Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$42,526,161
Restricted cash and investments	<u>6,237,356</u>
Total cash and investments	<u>\$48,763,717</u>

At June 30, 2019, cash and investments consisted of the following:

Riverside County Treasurer's Pooled Investment Fund	<u>\$48,763,517</u>
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Pooled cash held for land adaptive management and the improvement of burrowing owl habitat is reported as restricted cash and investments:

Cash restricted for:	
Land adaptive management endowment	\$ 6,157,370
Burrowing owl habitat	<u>79,986</u>
Total cash and investments	<u>\$ 6,237,356</u>

The Authority is a voluntary participant in the Riverside County Treasurer's Pooled Investment Fund (RCTPIF). Oversight of the RCTPIF is conducted by the County Treasury Oversight Committee. The RCTPIF pools these funds with those of other entities and invests the cash as prescribed by the California Government Code. The fair value of the Authority's investment in this pool, which approximates costs, is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the RCTPIF for the entire RCTPIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by RCTPIF, which are recorded on an amortized cost basis and reported as cash equivalents in the statement of net position. Deposits and withdrawals to and from the RCTPIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with RCTPIF is uncategorized.

Interest earned on the pooled funds is apportioned quarterly based on the average daily balance of each fund. For information regarding interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the Riverside County Treasurer's Pooled Investment Fund, refer to the County of Riverside Comprehensive Annual Financial Report. Copies of the annual financial report may be obtained from the County Auditor-Controller, 4080 Lemon Street, 11th Floor, Riverside, California, 92501.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

2. Cash and Investments (Continued)

Authorized Investments

The Authority has adopted the Riverside County Statement of Investment Policy. The following are investments authorized under the Riverside County Statement of Investment Policy, which are more limited than those authorized under the California Government Code:

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum Credit Quality (S&P/Moody's/Fitch)
U.S. Treasury	5 Years	100%	N/A
Federal Agencies	5 Years	100%	N/A
Municipal Bonds	4 Years	15%	Long-Term AA-/Aa3/AA-
Local Agency Investment Fund (LAIF)	Daily Liquidity	\$50 million	N/A
Commercial Paper	270 Days	40%	Short-Term A-1/P-1/F-1
Local Agency Obligations	3 Years	2.5%	Investment Grade
CalTrust Short-Term Fund	Daily Liquidity	1%	N/A
Negotiable Certificates of Deposit (CDs)	1 Year	25%	Short-Term A-1/P-1/F-1
Int'l Bank for Reconstruction and Development and Int'l Finance Corp.	4 Years	20%	AA/Aa/AA
Collateralized Time Deposits	1 Year	2%	N/A
Repurchase Agreements	45 Days	40% max / 25%	Short-Term A-1/P-1/F-1
Reverse Repurchase Agreements	60 Days	10%	N/A
Medium Term Notes	3 Years	20%	AA/Aa2/AA
Money Market Mutual Funds	Daily Liquidity	20%	Long-Term AAA (2 of 3 rating services)
Cash/Deposit Account	N/A	N/A	N/A

3. Accounts Receivable

Below is the detail of receivables for the General Fund and the Capital Projects Fund, including the applicable allowances for uncollectible accounts:

	General	Capital Projects	Total
Due from other governments:			
Mitigation fees	\$ -	\$ 2,088,435	\$ 2,088,435
Infrastructure mitigation	52,721	21,900	74,621
County of Riverside	2,056,241	875	2,057,116
Transportation uniform mitigation fee	-	631,917	631,917
Subtotal	<u>2,108,962</u>	<u>2,743,127</u>	<u>4,852,089</u>
Due from others:			
Notes receivable	95,550	-	95,550
Charges for services	38,613	-	38,613
Others	597	367	964
Subtotal	<u>134,760</u>	<u>367</u>	<u>135,127</u>
Total receivable	<u>2,243,722</u>	<u>2,743,494</u>	<u>4,987,216</u>
Less allowance for uncollectible accounts	(64,534)	(387,327)	(451,861)
Accounts receivable (net)	<u>\$ 2,179,188</u>	<u>\$ 2,356,167</u>	<u>\$ 4,535,355</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

3. Accounts Receivable (Continued)

An allowance for uncollectible accounts has been established for delinquent accounts greater than 90 days and collection deemed doubtful. In the General Fund, an allowance has been created in the amount of \$35,384 in outstanding infrastructure mitigation contributions from member agencies and \$29,150 for outstanding charges for services. In the Capital Projects Fund, an allowance of \$387,327 has been established for outstanding mitigation fees from member agencies.

4. Capital Assets

Activity relating to capital assets is as follows:

	Balance June 30, 2018	Additions	Transfers	Deletions	Balance June 30, 2019
Nondepreciable assets					
Land - contributed	\$ 210,217,097	\$ 8,865,333	\$ -	\$ (92,031)	\$ 218,990,399
Land - grants	40,230,352	3,288,000	-	(39,397)	43,478,955
Land - purchased	153,024,484	21,415,695	187,846	(156,618)	174,471,407
Land - acquisition in progress	1,033,035	214,297	(187,846)	(60,169)	999,317
Conservation easements - contributed	3,655,825	-	-	-	3,655,825
Conservation easements - purchased	752,378	-	-	-	752,378
Total nondepreciable assets	408,913,171	33,783,325	-	(348,215)	442,348,281
Depreciable assets					
Buildings and improvements	\$ 1,054,757	\$ 564,000	\$ -	\$ -	\$ 1,618,757
Land improvements	471,013	38,054	-	-	509,067
Equipment	134,529	-	-	-	134,529
Vehicles	321,867	15,551	-	(152,257)	185,161
Website development	37,645	-	-	-	37,645
Subtotal depreciable assets	2,019,811	617,605	-	(152,257)	2,485,159
Accumulated depreciation	(837,429)	(104,080)	-	134,733	(806,776)
Net depreciable assets	1,182,382	513,525	-	(17,524)	1,678,383
Total capital assets, net	\$ 410,095,553	\$ 34,296,850	\$ -	\$ (365,739)	\$ 444,026,664

Depreciation expense for the year ended June 30, 2019 is \$104,080. Depreciation expense was charged to governmental functions as follows:

General operations	\$ 1,531
Management and monitoring	29,899
Land acquisition	<u>72,650</u>
Total depreciation	<u>\$ 104,080</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

5. Fund Balances/Net Position

Fund Financial Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact. Within the Permanent Endowment Fund, the permanent nonspendable fund balance of \$4,329,605 is endowed for the accumulation of funds to be used for land adaptive management at the end of a 25-year land acquisition period.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors. In accordance with Government Code Section 66000, all mitigation funds have been restricted at year-end for future land acquisition and related costs. In addition, external donor contributions of \$80,687 and \$19,459 have been received for improving burrowing owl habitat and fencing on specific property, respectively. Investment income earned on permanent funds of \$323,573 is restricted for management and monitoring of specific properties. Under California Probate Code Sections 18500-18509, the Authority is permitted to spend the realized and unrealized net appreciation of the fair value of investments of the Permanent Endowment Fund over the historical dollar value of the fund.

Committed Fund Balance - Amounts that can only be used for specific purposes determined by adoption of a resolution of the Authority's Board of Directors, the Authority's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified uses through the same type of formal action taken to establish the commitment. As of June 30, 2019, the Authority's Board of Directors committed \$500,000 toward the Permanent Endowment Fund for future land management and monitoring of the land reserve.

Assigned Fund Balance - Amounts intended to be used by the Authority for specific purposes but are not restricted or committed. The Authority's Board of Directors delegates the authority to assign amounts to be used for specific purposes to the Authority's Executive Director. The Authority's fund balance includes \$1,327,765 in assigned fund balance toward the Permanent Endowment Fund.

Unassigned Fund Balance - These are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Notes to Basic Financial Statements

5. Fund Balances/Net Position (Continued)

Fund balance at June 30, 2019 is as follows:

Fund Balances:	General	Capital Projects	Permanent Endowment	Total
Nonspendable				
Permanent endowment funds	\$ -	\$ -	\$ 4,329,605	\$ 4,329,605
Restricted				
Management and monitoring				
Burrowing owls	80,687	-	-	80,687
Management endowment	-	-	323,573	323,573
Land acquisition programs				
Fencing	-	19,458	-	19,458
Non-development properties	-	129,391	-	129,391
Land acquisition costs	-	11,909,136	-	11,909,136
Subtotal restricted	<u>80,687</u>	<u>12,057,985</u>	<u>323,573</u>	<u>12,462,245</u>
Committed				
Management endowment	-	-	500,000	500,000
Assigned				
Management endowment	-	-	1,327,765	1,327,765
Unassigned	<u>25,669,933</u>	<u>-</u>	<u>-</u>	<u>25,669,933</u>
Total fund balances	<u><u>\$ 25,750,620</u></u>	<u><u>\$ 12,057,985</u></u>	<u><u>\$ 6,480,943</u></u>	<u><u>\$ 44,289,548</u></u>

Net Position

Net investment in capital assets of \$440,871,385 represents the value of capital assets held at June 30, 2019, less the balance outstanding on the note and loan payable used to acquire capital assets. Of the restricted net position: \$404,260 is temporarily restricted for land and management programs such as improving burrowing owl habitat and management of certain acquired properties; \$11,199,034 is temporarily restricted for land acquisition including land cost, fencing on acquired land, and other related land costs associated with the purchase of the land; and \$4,329,605 is permanently restricted to accumulate funds to be used for land adaptive management. Unrestricted net position of \$27,479,291 represents funds available for general operations of the Authority.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

6. Mitigation Fees

The County and cities impose a development mitigation fee on all new development to support the acquisition of reserve lands. Mitigation fees collected are remitted to the Authority. Mitigation fee revenues consisted of the following for the year ended June 30, 2019:

<u>Member</u>	<u>Capital Projects Fund</u>
City of Banning	\$ 6,345
City of Beaumont	1,783,644
City of Calimesa	631,410
City of Canyon Lake	23,144
City of Corona	1,026,231
City of Eastvale	605,427
City of Hemet	762,601
City of Jurupa Valley	1,367,327
City of Lake Elsinore	271,622
City of Menifee	1,679,594
City of Moreno Valley	1,310,359
City of Murrieta	627,608
City of Norco	193,337
City of Perris	1,274,614
City of Riverside	1,156,727
City of San Jacinto	464,743
City of Temecula	169,883
City of Wildomar	81,885
County of Riverside	4,334,082
Total	<u>\$ 17,770,583</u>

7. Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Governmental Fund Financials

General Fund	
Operating contributions advanced	\$ 142,426
Capital Projects Fund	
Infrastructure mitigation credit	2,600,292
Future land acquisitions	5,265,000
Land acquisition negotiations	<u>41,615</u>
Subtotal Capital Projects Fund	<u>7,906,907</u>
Total Governmental Funds	<u>\$ 8,049,333</u>

Government-Wide Financials

Development mitigation fee credit	<u>708,484</u>
Total Government-Wide	<u>\$ 8,757,817</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

7. Unearned Revenue (Continued)

Infrastructure mitigation credit

In December 2011, the County of Riverside advanced \$2,900,000 in future transportation infrastructure contributions to assist the Authority in the purchase of real property. The County is required to contribute 5% of certain construction costs of new roads or the widened portions of existing roads for capacity enhancements. The County and the Authority are required to track future usage of the credit based on eligible construction projects. The remaining credit balance at June 30, 2019 is \$2,600,292.

Future Land Acquisitions

In June 2018, the Riverside County Transportation Commission (RCTC) entered into a settlement agreement with a third party. The agreement calls for RCTC to provide \$5,265,000 to the Authority for the acquisition of reserve land within two specific designated areas. The funds were transferred to the Authority in January 2019. As of June 30, 2019, the Authority has not acquired the land reserve within the designated area.

Development mitigation fee credit

The Authority entered into development mitigation fee credit agreements with development corporations. The Authority granted mitigation fee credits in exchange for reserve land. The credits may be used by the corporations to satisfy payment of future development fees within the Authority’s boundaries. As of June 30, 2019 the following remain unearned:

Date Entered	Reserve Land Acreage	Original Credit	Remaining Balance
May 2013	309	\$ 3,150,000	\$ 286,356
February 2018	127	460,000	422,128
		\$ 3,610,000	\$ 708,484

8. Contract Related Payables

As discussed in Note 10, the employees working at the Authority are considered employees of the County of Riverside. County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. A liability for such leave is absorbed by the Authority for the contracted employees. As of June 30, 2019, the contractual liability to the County for leave balances accrued is \$855,466. Of this amount \$173,861 is considered due and payable within one year and \$681,605 is estimated due in more than one year. The amount is due and payable to the County upon retirement or termination of current staff assigned to the Authority.

9. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes from direct borrowings:					
Installment sale note	\$ 155,279	\$ -	\$ -	\$ 155,279	\$ 155,279
County of Riverside loan	4,000,000	-	(1,000,000)	3,000,000	1,000,000
Total long-term debt	\$ 4,155,279	\$ -	\$ (1,000,000)	\$ 3,155,279	\$ 1,155,279

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Notes to Basic Financial Statements

9. Long-Term Liabilities (Continued)

Installment Sale Note

At June 30, 2019, the Authority had one outstanding installment sale note for the acquisition of land from a private seller. The note is non-interest bearing and is due on demand. At inception in fiscal year 2007, the Authority recorded a discount on the note payable using an effective interest rate of 3.5% percent. The discount was fully amortized in three years. The note is secured by the property acquired.

County of Riverside Loan

In December 2011, the Authority entered into a loan agreement with the County of Riverside for a principal amount of \$5,000,000. The proceeds of the note were used to fund certain land acquisitions. The Authority plans to repay the County loan using future income from landfill tipping fees, or other available sources. The loan provides for full repayment within 10 years with annual variable interest. Interest is due annually each January at a variable interest rate equal to the annual average rate of the Riverside County Treasurer's Pooled Investment rate. Principal payment of \$1,000,000 is due annually each December, starting December 28, 2018. The outstanding balance at June 30, 2019 is \$3,000,000. The average rate of the Riverside County Treasurer's Pooled Investment Fund was 2.3% as of June 30, 2019.

As of June 30, 2019, annual debt service requirements to maturity are as follows:

Year Ending	Installment Sale Loan	County of Riverside Loan	
June 30	Principal	Principal	Interest
2020	\$ 155,279	\$ 1,000,000	\$ 70,050
2021	0	1,000,000	46,700
2022	0	1,000,000	23,350
	\$ 155,279	\$ 3,000,000	\$ 140,100

10. Related Party Transactions

The Authority is involved in various business transactions with the County of Riverside, a member agency. In June 2007, the Authority entered into a service agreement with the County to provide staffing and other services. The contract expires May 2022. The employees working at the Authority are employees of the County working under contract. All benefits of the staff are established and amended through negotiations between the County and the respective unions. The Authority reimburses the County for the actual salaries and benefits of the staff dedicated to the Authority's daily operations. In addition, the Authority reimburses the County for costs associated with office rental space, real estate support, information technology support, central mail, parking services, and other administrative support expenditures as necessary.

During the year ended June 30, 2019, the Authority paid \$3,299,503 for such County services as follows:

Service	Amount
Contractual labor and benefits	\$2,525,947
Real estate services	520,786
Office rental space	193,373
Information technology	26,998
Other administrative support	32,399
Total	\$ 3,299,503

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

10. Related Party Transactions (Continued)

In January 2006, the Authority entered into a separate MSHCP Reserve Management agreement with the Riverside County Regional Park and Open-Space District (“District”), a component unit of the County of Riverside. The District provides the Authority with management services of the Authority’s reserve lands including protection, maintenance and enhancements. The contract is to expire January 31, 2031 and is cancelable with written notice of six months. During the current year, the Authority paid \$965,104 to the District under this agreement.

As disclosed in Note 9, the Authority and the County of Riverside entered into a loan agreement in the amount of \$5,000,000 in December 2011. The loan will be repaid in ten years with variable interest rate equal to the Riverside County Treasurer’s Pooled Investment Fund rate. During the year, the Authority paid \$75,033 and \$1,000,000, in interest and principal, respectively, to the County.

11. Operating Lease Obligations

The Authority leases office facilities under an operating lease with the County of Riverside. The original lease was for 10 years, effective fiscal year 2009. The lease was amended in October 2018 providing for two extension options. Each option extend the lease term for a period of 10 years. Pursuant to the terms of the lease agreement, 2% annual rent increase shall occur each August 7. Total cost for the lease was \$193,373 for the year ended June 30, 2019.

Future commitments under the operating leases agreement are as follows:

Year Ending June 30	Amount
2020	\$ 195,311
2021	199,217
2022	203,201
2023	207,265
2024	211,411
2025-2029	912,202
Total	<u>\$ 1,928,607</u>

12. Commitments and Contingencies

As of June 30, 2019, the Authority has entered into various land acquisition agreements with multiple private sellers to acquire properties in phases. The Authority has committed capital project funds to acquire land in the following fiscal years:

Year Ending June 30	Amount
2020	\$ 9,950,789
2021	1,726,727
Total	<u>\$ 11,677,516</u>

The Authority has entered into separate funding agreements with local governments and agencies to contribute \$6,750,000 toward the above land acquisition commitments.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

12. Commitments and Contingencies (Continued)

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the Special District Risk Management Authority (SDRMA), a public entity risk pool formed under California Government Code Section 6500 et seq. The Authority's participation in the general liability program, public officials and employee errors and omissions, auto liability, employee benefits liability, and employment practice liability program of SDRMA provides coverage up to \$10,000,000 per occurrence.

Contracted staff at the Authority are employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a self-insured program, providing statutory limits of coverage as required by the State of California.

During the year ending June 30, 2019, the Authority had no settlements exceeding insurance coverage. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the Authority.

14. Subsequent Events

Subsequent to June 30, 2019, the Authority acquired eight new properties totaling approximately 87 acres with a combined value of \$2,531,920.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

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

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Infrastructure mitigation contributions	\$ 315,300	\$ 315,300	\$ 392,565	\$ 77,265
Participating special entities	178,285	178,285	221,959	43,674
Landfill tipping fees	2,800,000	2,980,000	3,710,430	730,430
Interest	233,200	233,200	703,663	470,463
Joint project review	100,000	100,000	109,309	9,309
Miscellaneous revenue	114,120	114,120	110,128	(3,992)
Total revenues	<u>3,740,905</u>	<u>3,920,905</u>	<u>5,248,054</u>	<u>1,327,149</u>
EXPENDITURES				
General operations				
Current:				
Contractual labor	143,275	143,275	139,932	3,343
Services and supplies	336,810	336,810	203,917	132,893
Subtotal general operations	<u>480,085</u>	<u>480,085</u>	<u>343,849</u>	<u>136,236</u>
Management and monitoring				
Current:				
Contractual labor	530,335	710,335	674,934	35,401
Services and supplies	2,665,485	2,649,685	2,241,000	408,685
Taxes and assessments	65,000	65,000	55,696	9,304
Capital outlay	-	15,800	15,551	249
Subtotal management and	<u>3,260,820</u>	<u>3,440,820</u>	<u>2,987,181</u>	<u>453,639</u>
Total expenditures	<u>3,740,905</u>	<u>3,920,905</u>	<u>3,331,030</u>	<u>589,875</u>
Excess of revenues over expenditures	-	-	1,917,024	1,917,024
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	26,600	26,600
Net change in fund balance	-	-	1,943,624	1,943,624
Fund balance beginning of the year	<u>23,806,996</u>	<u>23,806,996</u>	<u>23,806,996</u>	<u>-</u>
Fund balance end of year	<u>\$ 23,806,996</u>	<u>\$ 23,806,996</u>	<u>\$ 25,750,620</u>	<u>\$ 1,943,624</u>

See accompanying note to the required supplementary information.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Note to Required Supplementary Information

June 30, 2019

Budget and Budgetary Process

The Authority's Board of Directors approves each year's budget submitted by the Executive Director prior to the beginning of the fiscal year. The appropriations budget is prepared for each budget unit: general operations, management and monitoring, and land acquisition. The General Fund consists of the general operations and management and monitoring units, whereas the Capital Projects Fund consists of the land acquisition unit. The level on which expenditures may not legally exceed appropriations is the budget unit level. Budgets for the various budget units are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The Authority's Executive Director is authorized to make transfers and revisions of appropriations within a budget unit provided, however, that the total appropriations for each budget unit do not increase or decrease the amount approved in the budget resolution.