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## **EXECUTIVE COMMITTEE**

***The Executive Committee, consisting of the RCA Board Chairman, Vice-Chairman, Past Chairman, and four members of the RCA Board, makes recommendations regarding personnel, administrative and financial matters, as well as provide guidance on a broad range of issues including target areas or types of habitats needed to remain in rough step. In addition, the Executive Committee may schedule Funding Coordination Committee workshops to discuss funding and acquisition strategy.***

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## **EXECUTIVE COMMITTEE**

**November 15, 2017 – Wednesday, at 12:00 p.m.  
Western Riverside County Regional Conservation Authority  
Riverside Centre, RCA Conference Room  
3403 Tenth Street, Suite 320  
Riverside, California 92501**

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## **EXECUTIVE COMMITTEE MEMBERS**

**Marion Ashley, Chairman**  
*County of Riverside, District 5*

**Jonathan Ingram, Vice Chairman**  
*City of Murrieta*

**Jeffrey Hewitt**  
*City of Calimesa*

**Eugene Montanez**  
*City of Corona*

**Natasha Johnson**  
*City of Lake Elsinore*

**Maryann Edwards**  
*City of Temecula*

**John Tavaglione**  
*County of Riverside, District 2*

***Charles Landry, Executive Director***



## EXECUTIVE COMMITTEE AGENDA\*

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*\*Action(s) may be taken on any item listed on the agenda. Non-exempt materials related to an item on this agenda submitted to the RCA Executive Committee after distribution of the agenda packet are available for public inspection at the RCA Offices, 3403 10<sup>th</sup> Street, Suite 320, Third Floor, Riverside, California, 92501, during normal business hours. Such documents are also available on the Western Riverside County Regional Conservation Authority website at [www.wrc-rca.org](http://www.wrc-rca.org) subject to staff's ability to post the documents before the meeting. Alternative formats are available upon request by contacting the Clerk of the Board at (951) 955-9700. Notification of at least 72 hours prior to meeting time will assist staff in accommodating such requests.*

**Wednesday, November 15, 2017  
12:00 P.M.  
Riverside Centre, RCA Conference Room  
3403 Tenth Street, Suite 320  
Riverside, CA 92501**

*In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in an Executive Committee meeting, please contact the Clerk of the Board at (951) 955-9700. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.*

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PUBLIC COMMENT** *At this time, members of the public can address the Executive Committee regarding any items within the subject matter jurisdiction of the RCA that are not separately listed on this agenda. Members of the public will have the opportunity to speak on agenda items at the time the item is called for discussion. No action may be taken on items not listed on the agenda unless authorized by law. Each individual speaker is limited to speak three (3) continuous minutes or less. Any person wishing to address the Executive Committee on any matter, whether or not it appears on this agenda, is requested to complete a Request to Speak Form available from the Clerk of the Board. The completed form is to be submitted to the Clerk of the Board prior to an individual being heard. Whenever possible, lengthy testimony should be presented to the Executive Committee in writing and only pertinent points presented orally. Any written documents to be distributed or presented to the Executive Committee shall be submitted to the Clerk of the Board.*
- 4. COMMITTEE MEMBER ANNOUNCEMENTS**
- 5. ADDITIONS/REVISIONS** *(The Committee may add an item to the Agenda after making a finding that there is a need to take immediate action on the item and that the item came to the attention of the Committee subsequent to the posting of the agenda. An action adding an item to the agenda requires 2/3 vote of the Committee. If there are less than 2/3 of the Committee Members present, adding an item requires a unanimous vote. Added items will be placed for discussion at the end of the agenda.)*

**6. APPROVAL OF MINUTES – October 18, 2017**

**7. WESTERN RIVERSIDE COUNTY MSHCP FEE COLLECTION REPORT FOR OCTOBER 2017**

Overview – **Staff Report**

This item is for the RCA Executive Committee to:

- 1) Recommend that the RCA Board of Directors receive and file the Western Riverside County MSHCP Fee Collection Report for October 2017; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**8. FISCAL YEAR 2018 FIRST QUARTER FINANCIAL REPORT**

Overview – **Staff Report**

This item is for the RCA Executive Committee to:

- 1) Recommend that the RCA Board of Directors receive and file the Fiscal Year 2018 First Quarter Financial Report; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**9. FISCAL YEAR 2017 AUDITED FINANCIAL STATEMENTS**

Overview – **Staff Report**

This item is for the RCA Executive Committee to:

- 1) Recommend that the RCA Board of Directors receive and file the following reports:
  - A) Basic Financial Statements and Independent Auditors' Report for the Year ended June 30, 2017;
  - B) Single Audit Report for the year ended June 30, 2017; and
  - C) SAS 114 Report – *The Auditors' Communication with Those Charged with Governance*; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**10. PROPOSED 2018 RCA BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEETING SCHEDULE**

Overview – **Staff Report**

This item is for the RCA Executive Committee to:

- 1) Recommend that the RCA Board of Directors adopt the proposed 2018 meeting schedule of the RCA Board of Directors and Executive Committee; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**11. ELECTION OF 2018 RCA OFFICERS AND TWO MEMBERS OF THE RCA EXECUTIVE COMMITTEE**

Overview – **Staff Report**

That the RCA Executive Committee:

- 1) Recommend that the RCA Board of Directors hold an election for Chairman and Vice-Chairman for 2018;
- 2) Recommend that the RCA Board of Directors hold an election for two members of the RCA Executive Committee for 2018; and
- 3) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**12. DISCUSSION CONCERNING MSHCP CONSISTENCY FOR THE ALTAIR PROJECT IN THE CITY OF TEMECULA**

**13. EXECUTIVE DIRECTOR'S REPORT**

**13.1 Washington, D.C., trip**

**14. FUTURE AGENDA ITEMS: (Committee members are invited to suggest additional items to be brought forward for future discussion.)**

**15. CLOSED SESSION ITEMS:**

**15.1 CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

**Pursuant to Government Code Section 54956.8**

**Negotiating Parties:** RCA – Executive Director of Designee

**Under Negotiation:** Price/Terms

<b>Item</b>	<b>Assessor No.</b>	<b>Parcel</b>	<b>Property Owner(s)/Agent</b>
1	346-170-024		GM Gabrych Family LTD Partnership Ed Sauls
2	384-270-010		Anheuser Busch

**16. ADJOURNMENT**

The next meeting of the Western Riverside County Regional Conservation Authority Executive Committee will be held on Wednesday, December 20, 2017, at 12:00 p.m., at the Riverside Centre, 3403 Tenth Street, Suite 320, Third Floor, RCA Conference Room, Riverside, California, 92501.

**Acronyms**

# **AGENDA ITEM NO. 6**

## **MINUTES**

**October 18, 2017**



## EXECUTIVE COMMITTEE MINUTES

[www.wrc-rca.org](http://www.wrc-rca.org)

**1. CALL TO ORDER**

The meeting of the Western Riverside County Regional Conservation Authority Executive Committee was called to order by Chairman Ashley at 12:20 p.m., Wednesday, October 18, 2017, at the RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, California, 92501.

**2. ROLL CALL – was taken by Rose Haro, Administrative Manager.**

COMMITTEE MEMBERS PRESENT	COMMITTEE MEMBERS ABSENT
Marion Ashley, Chairman – County of Riverside District V  Jonathan Ingram, Vice Chairman – City of Murrieta  Jeffrey Hewitt – City of Calimesa  Eugene Montanez – City of Corona  Maryann Edwards - City of Temecula	Natasha Johnson, City of Lake Elsinore   John Tavaglione, County of Riverside District II

**3. PUBLIC COMMENTS**

Chairman Ashley called for public comments regarding items not listed on the agenda. There were no public comments.

**4. COMMITTEE MEMBER ANNOUNCEMENTS**

Chairman Ashley called for Committee Member announcements. There were no announcements from Committee Members.

**5. ADDITIONS/REVISIONS**

Chairman Ashley asked if there were any additions/revisions to the agenda. Rose Haro, Administrative Manager, reported that there were no additions/revisions to agenda.

**6. APPROVAL OF MINUTES – September 20, 2017**

***M/S/C (CITY OF MURRIETA/CITY OF TEMECULA) to approve the minutes of the September 20, 2017 Meeting of the Executive Committee as submitted.***

***(5 Ayes, 0 Nays, 0 Abstain, 2 Absent)***

**7. WESTERN RIVERSIDE COUNTY MSHCP FEE COLLECTION REPORT FOR SEPTEMBER 2017**

Honey Bernas, Director of Administrative Services, presented the MSHCP Fee Collection Report for September 2017. The RCA received fees in the amount of \$691,641 for 247 residential permits and 29.7 commercial acres. There were 32 reported exemptions totaling \$64,992 in the City of Lake Elsinore. There were two reported civic/infrastructure projects. Riverside County Flood Control & Water Conservation District remitted \$6,498 for the Norco MDP Line NB 3 and \$52,518 for the Corona Drain Line 52 projects. Total infrastructure contributions were \$59,016. For the month of September 2017, the total receipts were \$750,657.

***M/S/C (CITY OF CALIMESA/CITY OF MURRIETA) to approve this item as recommended and authorize staff to agendize this matter to the November 6, 2017 meeting of RCA Board of Directors:***

- 1) Recommend that that RCA Board of Directors receive and file the Western Riverside County MSHCP Fee Collection Report for September 2017; and
- 2) Authorize staff to agendize this matter for the November 6, 2017 meeting of the RCA Board of Directors.

***(5 Ayes, 0 Nays, 0 Abstain, 2 Absent)***

**8. FISCAL YEAR 2017 DEVELOPMENT IMPACT FEE ANNUAL ACCOUNTING REPORT**

Honey Bernas, Director of Administrative Services, gave an overview of the Fiscal Year 2017 Development Impact Fee Annual Accounting Report required by



**RCA EXECUTIVE COMMITTEE MINUTES**

**Page 3 of 4**

**October 18, 2017**

Government Section 66006(b). She referred to page 1, section B disclosing the fee schedule for fiscal year 2017. Section C/D indicates RCA's beginning fund balance of \$15.3 million. During the year, the cities and county remitted \$14.3 million in fees to the RCA. KB Home also applied \$328,674 in fee credits. The total fees for the year were \$14,352,729. The fund earned \$110,542 in interest. In addition, the RCA received \$118,495 from Arizona Electric Power Corporation, who entered into an agreement with RCA to reimburse RCA for 8.1 acres out of 75.6 acres purchased by RCA in FY2011. Since mitigation fees were used to acquire the land, the funds returned to the mitigation fund. The fund incurred \$17.4 million in expenditures, which are detailed on page 2 of said report. As of June 30, 2017, the fund balance was \$12,475,817.

**M/S/C (CITY OF MURRIETA/CITY OF TEMECULA) to approve this item as recommended and authorize staff to agendize this matter to the November 6, 2017 meeting of the RCA Board of Directors:**

- 1) Recommend that the RCA Board of Directors receive and file the Fiscal Year 2017 Development Impact Fee Annual Accounting Report; *and*
- 2) Authorize staff to agendize this matter for the November 6, 2017 meeting of the RCA Board of Directors.

***(5 Ayes, 0 Nays, 0 Abstain, 2 Absent)***

**9. FISCAL YEAR 2018 FIRST QUARTER CONSULTANT REPORTS**

Charles Landry, Executive Director, reported on the activities and services provided by Dudek, Geographics, Kadesh & Associates, LLP, Riverside County Regional Parks and Open-Space District, Santa Ana Watershed Association and Douglas P. Wheeler, Hogan Lovells, US LLP, during the first quarter of Fiscal Year 2018.

**M/S/C (CITY OF MURRIETA/CITY OF TEMECULA) to approve this item as recommended and authorize staff to agendize this matter to the November 6, 2017 meeting of the RCA Board of Directors:**

- 1) Recommend that the RCA Board of Directors receive and file the Fiscal Year 2018 First Quarter Consultant Reports; *and*
- 2) Authorize staff to agendize this matter for the November 6, 2017 meeting of the RCA Board of Directors.

***(5 Ayes, 0 Nays, 0 Abstain, 2 Absent)***

**RCA EXECUTIVE COMMITTEE MINUTES**

Page 4 of 4

October 18, 2017

- 10. FUTURE AGENDA ITEMS:** *(Committee members are invited to suggest additional items to be brought forward for future discussion.)*

Chairman Ashley called for future agenda items. There were no requests from the Executive Committee.

**11. CLOSED SESSION ITEMS**

**11.1 CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**  
Initiation of litigation pursuant to paragraph 4 of subdivision (d) of Government Code Section 54956.9

**Number of potential case(s): Three**

After closed session, the meeting was reconvened. There were no announcements from closed session.

**12. ADJOURNMENT**

There being no other items before the Executive Committee, Chairman Ashley adjourned the meeting at 12:45 p.m. The next meeting of the Western Riverside County Regional Conservation Authority Executive Committee will be held on Wednesday, November 15, 2017, at 12:00 p.m., at the Riverside Centre, 3403 Tenth Street, Suite 320, Third Floor, RCA Conference Room, Riverside, California, 92501.

Prepared by:



Rose Haro  
Administrative Manager

Respectfully submitted:



Honey Bernas  
Clerk of the Board

# **AGENDA ITEM NO. 7**

**WESTERN RIVERSIDE COUNTY  
MSHCP FEE COLLECTION  
REPORT FOR OCTOBER 2017**

***Regional Conservation Authority***

**WESTERN RIVERSIDE COUNTY  
MSHCP FEE COLLECTION REPORT FOR  
OCTOBER 2017**

**Staff Contact:**

**Honey Bernas  
Director of Administrative Services  
(951) 955-9700**

**Background:**

The RCA Executive Committee directed staff to report on Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP) Local Development Mitigation Fee (LDMF) Collection and Civic/Infrastructure Contribution on a monthly basis.

Attached is the report for October 2017. The report was prepared on a cash basis and, therefore, reflects the cash received by RCA during that month.

**Staff Recommendations:**

That the RCA Executive Committee –

- 1) Recommend that the RCA Board of Directors receive and file the Western Riverside County MSHCP Fee Collection Report for October 2017; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**Attachment**

- 1) Western Riverside County MSHCP LDMF Collection and Civic/Infrastructure Contribution Report for October 2017

**AGENDA ITEM NO. 7**  
**Attachment**

**WESTERN RIVERSIDE COUNTY  
MSHCP LDMF COLLECTION AND  
CIVIC/INFRASTRUCTURE  
CONTRIBUTION REPORT FOR  
OCTOBER 2017**

**WESTERN RIVERSIDE COUNTY MSHCP LDMF COLLECTION AND  
CIVIC/INFRASTRUCTURE CONTRIBUTION REPORT FOR OCTOBER 2017  
CASH BASIS**

LOCAL DEVELOPMENT MITIGATION FEE COLLECTIONS						
		REMITTED			EXEMPTIONS & FEE CREDITS	
		Residential Permits	Commercial/Industrial Acres	Amount Remitted	Residential Permits	Amount
City/County	Month					
City of Banning	September - No Activity					
City of Beaumont	August	10	7.50	\$72,165		
	September	16		\$32,496		
City of Calimesa	September	15		\$30,465		
City of Canyon Lake	September	1		\$2,031		
City of Corona	September - No Activity					
City of Eastvale	September - No Activity					
City of Hemet	September		1.80	\$12,411		
City of Jurupa Valley	September	49	8.19	\$156,145		
City of Lake Elsinore	September	10		\$20,310		
	Summerly Project <sup>1</sup>				9	\$18,279
City of Menifee	August	30		\$61,242		
	September	55	0.01	\$111,774		
City of Moreno Valley	September	8	19.75	\$163,768		
City of Murrieta	September - No Activity					
City of Norco	September		1.45	\$10,025		
City of Perris	September	1	0.86	\$7,997		
City of Riverside	August	13	14.97	\$126,013		
City of San Jacinto	September	23		\$46,674		
City of Temecula	September - No Activity					
City of Wildomar	September	15		\$30,777		
County of Riverside	October	178	0.03	\$361,725		
	<b>Total LDMF Collections</b>	<b>424</b>	<b>54.56</b>	<b>\$ 1,246,018</b>	<b>9</b>	<b>\$18,279</b>

CIVIC AND INFRASTRUCTURE CONTRIBUTIONS		
Riverside County Flood Control & Water Conservation District	Sunnymead MDP Line H-1A, Stage 3	\$35,114
City of San Jacinto	Cawston Avenue Paving Project	\$18,147
<b>Total Civic/Infrastructure Contributions</b>		<b>\$53,261</b>

**TOTAL OCTOBER 2017    \$ 1,299,279**

1) Summerly Project - Development agreement dated 8/24/04. Expiration date 9/23/14. Under review.

# **AGENDA ITEM NO. 8**

## **FISCAL YEAR 2018 FIRST QUARTER FINANCIAL REPORT**

***Regional Conservation Authority*****FISCAL YEAR 2018 FIRST QUARTER  
FINANCIAL REPORT****Staff Contact:****Honey Bernas, Director of  
Administrative Services  
(951) 955-2842****Background:**

Attached is the Fiscal Year 2018 First Quarter Financial Report, which includes an Executive Summary (cash balance summary and financial statement overview), detailed financial statements, and MSHCP Fee Collections Reports.

In the Land Acquisition Program, developer mitigation revenues were slightly less than budgeted for the first quarter of the fiscal year. The RCA has received 23%, or \$2,368,763, of the budgeted revenues for the year. Staff is confident that budgeted mitigation revenues of \$10,500,000 will be met by the end of the fiscal year.

As of September 30, 2017, the RCA opened escrow on three properties totaling 195.5 acres. Escrow on those properties closed subsequent to September 30, 2017 and were funded with RCA mitigation fees. In addition, the RCA received a 93.9 acre land donation from a private developer with a value of \$1,190,000.

In the Land Management and Monitoring Program, Tipping Fees of \$984,079 for the first quarter of FY2018 were 21% higher than FY2017 first quarter tipping fees of \$777,646. There has been a slight increase in out-of-county tonnage disposal annually since FY2014.

In the Operations Program, the number of Joint Project Reviews was greater than anticipated. In addition, RCA received three Participating Special Entity applications and one Minor Amendment, which were not anticipated in the budget. The increase in projects has generated higher than expected revenues, as well as an increase in contractual costs associated with the reviews. Should the trend continue, revenues and expenditures may exceed the budgeted amounts. No budget increases are proposed at this time; however, staff will continue to monitor the revenues and appropriations during the second quarter of the fiscal year and will recommend any necessary adjustments at that time.

**Staff Recommendation:**

That the RCA Executive Committee –

- 1) Recommend that the RCA Board of Directors receive and file the Fiscal Year 2018 First Quarter Financial Report; and



- 2) Authorize staff to agendaize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**Attachments:**

- 1) Executive Summary (Cash Balance Summary and Financial Statement Overview)
- 2) Detailed Financial Statements
- 3) MSHCP Fee Collection Report

**AGENDA ITEM NO. 8**  
**Attachment 1**

**EXECUTIVE SUMMARY  
(CASH BALANCE SUMMARY AND  
FINANCIAL STATEMENT  
OVERVIEW)**



# **Fiscal Year 2018 First Quarter Financial Report**

**July 1, 2017 – September 30, 2017**

*Preserving our open space heritage • Protecting our economy • Building our future*



# Cash Balance Summary

## July 1, 2017 – September 30, 2017

<b>Balance as of 7-01-17</b>	<b>\$ 33,395,516</b>
<b>Cash Receipts 7-01-17 through 9-30-17</b>	<b><u>5,599,740</u></b>
<b>Cash Available</b>	<b>38,995,256</b>
<b>Cash Disbursements 7-01-17 through 9-30-17</b>	<b><u>(2,060,135)</u></b>
<b>Cash Balance as of 9-30-17</b>	<b><u>\$ 36,935,121</u></b>



# Budget to Actual and FYE Projections

## July 1, 2017 – September 30, 2017

<b>Operations (935100)</b>	<b>Budget</b>	<b>Actual</b>	<b>Year-End Projections</b>
<b>Revenue</b>	<b>\$ 530,865</b>	<b>\$ 165,795</b>	<b>\$ 552,547</b>
<b>Appropriations:</b>			
<b>Salaries &amp; Benefits</b>	<b>141,785</b>	<b>25,790</b>	<b>128,159</b>
<b>Supplies &amp; Services</b>	<b>389,080</b>	<b>74,306</b>	<b>388,947</b>
<b>Total Appropriations</b>	<b>\$ 530,865</b>	<b>\$ 100,096</b>	<b>\$ 517,106</b>
<b>Net Operating Position</b>	<b>\$ 0</b>	<b>\$ 65,699</b>	<b>\$ 35,441</b>



# Budget to Actual and FYE Projections

July 1, 2017 – September 30, 2017

<b>Management &amp; Monitoring (935300)</b>	<b>Budget</b>	<b>Actual</b>	<b>Year-End Projections</b>
<b>Revenue</b>	<b>\$ 3,223,480</b>	<b>\$ 1,023,649</b>	<b>\$ 3,879,637</b>
<b>Appropriations:</b>			
<b>Salaries &amp; Benefits</b>	<b>551,610</b>	<b>114,355</b>	<b>529,418</b>
<b>Supplies and Services</b>	<b>2,545,870</b>	<b>452,900</b>	<b>2,532,959</b>
<b>Other Charges</b>	<b>46,000</b>	<b>11,500</b>	<b>46,000</b>
<b>Capital Outlay</b>	<b>80,000</b>	<b>0</b>	<b>80,000</b>
<b>Total Appropriations</b>	<b>\$ 3,223,480</b>	<b>\$ 578,755</b>	<b>\$ 3,188,377</b>
<b>Net Operating Position</b>	<b>\$ 0</b>	<b>\$ 444,894</b>	<b>\$ 691,260</b>



# Budget to Actual and FYE Projections

## July 1, 2017 – September 30, 2017

Land Acquisition (935201)	Adjusted Budget	Actual	Year-End Projections
<b>Revenue</b>	<b>\$ 21,384,205</b>	<b>\$ 3,599,145</b>	<b>\$ 21,389,233</b>
<b>Appropriations:</b>			
Salaries & Benefits	1,723,985	309,812	1,696,247
Supplies & Services	2,146,975	371,638	2,138,127
Interest-Notes	1,075,000	13,803	1,058,212
Capital Assets	16,438,245	1,936,488	16,438,245
<b>Total Appropriations</b>	<b>\$ 21,384,205</b>	<b>\$ 2,631,741</b>	<b>\$ 21,330,831</b>
<b>Net Operating Position</b>	<b>\$ 0</b>	<b>\$ 967,404</b>	<b>\$ 58,402</b>



# Staff Recommendations

That the RCA Executive Committee –

- 1) Recommend that the RCA Board of Directors receive and file the Fiscal Year 2018 First Quarter Financial Report; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.





**AGENDA ITEM NO. 8**  
**Attachment 2**

**DETAILED FINANCIAL**  
**STATEMENTS**

**Regional Conservation Authority**  
**Budget vs. Actual Comparison as of September 30, 2017**  
**General Fund - 935100 Operations**

**REVENUE**

Account	Account Description	Budget	Actual	% of Actual to Budget	Note No.	Projection through 6/30/18	Positive (Negative) Variance with Budget
722000	Participating Special Entities	\$ 100,865	\$ -	0%		\$ 100,865	\$ -
740020	Interest-Invested Funds	90,000	18,522	21%	1	92,610	2,610
769240	Other Gov MSHCP Infrastructure	80,000	18,019	23%	3	80,000	-
769260	Other Gov MSHCP Civic Projects	80,000	14,102	18%	4	80,000	-
771410	Flood Control District	100,000	87,632	88%	5	100,000	-
777860	Joint Project Review	80,000	27,520	34%		99,072	19,072
<b>Total Revenue</b>		<b>\$ 530,865</b>	<b>\$ 165,795</b>	<b>31%</b>		<b>\$ 552,547</b>	<b>\$ 21,682</b>

**EXPENDITURES**

510040	Regular Salaries	\$ 98,605	\$ 18,701	19%		\$ 89,804	\$ 8,801
510440	Annual Leave Buydown	3,085	236	8%		2,944	141
515200	Retiree Health Insurance	235	59	25%		235	-
518100	Budgeted Benefits	39,860	6,794	17%		35,176	4,684
<b>Total Appropriation 1</b>		<b>141,785</b>	<b>25,790</b>	<b>18%</b>		<b>128,159</b>	<b>13,626</b>
520200	Communications	75	11	15%		44	31
520270	County Delivery Services	30	-	0%		30	-
520320	Telephone Service	45	1	2%		44	1
520940	Insurance-Other	1,400	299	21%	9	1,196	204
521360	Maint-Computer Equipment	1,260	294	23%		1,176	84
521540	Maint-Office Equipment	225	27	12%		108	117
521640	Maint-Software	350	98	28%		350	-
523100	Memberships	355	150	42%		350	5
523230	Miscellaneous Expense	2,520	599	24%		2,396	124
523620	Books/Publications	15	-	0%		15	-
523640	Computer Equip-Non Fixed Asset	290	9	3%		290	-
523660	Computer Supplies	90	-	0%		90	-
523680	Office Equip Non Fixed Assets	60	-	0%		30	30
523700	Office Supplies	300	28	9%		292	8
523760	Postage-Mailing	195	3	2%		162	33
523800	Printing/Binding	120	-	0%		120	-
523840	Computer Equipment-Software	300	3	1%		262	38
524560	Auditing and Accounting	13,510	667	5%	10	12,668	842
524900	GIS Services	325	82	25%	11	325	-
525020	Legal Services	140,000	7,194	5%	12	138,776	1,224
525140	Personnel Services	450	108	24%	13	432	18
525840	RCIT Device Access	940	162	17%	14	648	292
525850	RCIT Device Public	15	4	27%		15	-
526700	Rent-Lease Bldgs	6,080	1,519	25%	15	6,076	4
528960	Special Program Expense	600	-	0%		600	-
527840	Training-Education/Tuition	105	1	1%		94	11
527980	Contracts	216,465	62,640	29%	16	219,560	(3,095)
528120	Board/Commission Expense	1,305	168	13%		1,272	33
528140	Conference/Registration Fees	85	-	0%		85	-
528900	Air Transportation	130	27	21%		130	-
528960	Lodging	250	34	14%		246	4
528980	Meals	675	102	15%		608	67
529000	Miscellaneous Travel Expense	15	3	20%		15	-
529040	Private Mileage Reimbursement	500	73	15%		442	58
<b>Total Appropriation 2</b>		<b>389,080</b>	<b>74,306</b>	<b>19%</b>		<b>388,947</b>	<b>133</b>
<b>Total Expenditures</b>		<b>\$ 530,865</b>	<b>\$ 100,096</b>	<b>19%</b>		<b>\$ 517,106</b>	<b>\$ 13,759</b>
<b>Net Operating Position</b>		<b>\$ -</b>	<b>\$ 65,699</b>			<b>\$ 35,441</b>	<b>\$ 35,441</b>

**Regional Conservation Authority**  
**Budget vs. Actual Comparison as of September 30, 2017**  
**General Fund - 935300 Land Management and Monitoring**

**REVENUE**

Account	Account Description	Budget	Actual	% of Actual to Budget	Note No.	Projection through 06/30/18	Positive (Negative) Variance with Budget
722000	Participating Special Entities	\$ 445,175	\$ -	0%		\$ 445,175	\$ -
740020	Interest-Invested Funds	90,695	20,215	22%	1	92,989	2,294
741000	Rents	72,610	19,355	27%	2	77,420	4,810
771410	Flood Contrl District	100,000	-	0%		100,000	-
781360	Other Misc. Revenue	15,000	-	0%		15,000	-
781520	Tipping Fees	2,500,000	984,079	39%	8	3,149,053	649,053
<b>Total Revenue</b>		<b>\$ 3,223,480</b>	<b>\$ 1,023,649</b>	<b>32%</b>		<b>\$ 3,879,637</b>	<b>\$ 656,157</b>

**EXPENDITURES**

510040	Regular Salaries	\$ 380,915	\$ 83,284	22%		\$ 368,136	\$ 12,779
510440	Annual Leave Buydown	21,865	707	3%		19,828	2,037
515200	Retiree Health Insurance	910	228	25%		910	-
518100	Budgeted Benefits	147,920	30,136	20%		140,544	7,376
<b>Total Appropriation 1</b>		<b>551,610</b>	<b>114,355</b>	<b>21%</b>		<b>529,418</b>	<b>22,192</b>
520200	Communications	7,375	2,403	33%		7,375	-
520270	County Delivery Services	15	-	0%		15	-
520320	Telephone Service	225	22	10%		220	5
520940	Insurance-Other	13,800	3,133	23%	9	12,532	1,268
521360	Maint-Computer Equipment	18,300	2,472	14%		14,888	3,412
521500	Maint-Motor Vehicles	8,000	1,302	16%		7,208	792
521540	Maint-Office Equipment	1,125	137	12%		548	577
521640	Maint-Software	1,755	488	28%		1,752	3
523100	Memberships	1,765	750	42%		1,700	65
523230	Miscellaneous Expense	2,085	332	16%		2,000	85
523620	Books/Publications	75	-	0%		75	-
523640	Computer Equip-Non Fixed Asset	4,120	47	1%		4,088	32
523660	Computer Supplies	450	-	0%		450	-
523680	Office Equip Non Fixed Assets	300	-	0%		300	-
523700	Office Supplies	5,500	858	16%		4,432	1,068
523760	Postage-Mailing	1,075	17	2%		1,068	7
523800	Printing/Binding	600	-	0%		600	-
523840	Computer Equipment-Software	2,300	14	1%		2,256	44
524560	Auditing and Accounting	7,030	1,436	20%	10	6,744	286
524900	GIS Services	1,635	409	25%	11	1,635	-
525020	Legal Services	130,000	7,823	6%	12	129,792	208
525140	Personnel Services	2,250	542	24%	13	2,168	82
525840	RCIT Device Access	4,695	811	17%	14	4,644	51
525850	RCIT Device Public	75	13	17%		52	23
527980	Rent-Lease Bldgs	114,170	28,541	25%	15	114,164	6
526910	Field Equipment-Non Assets	5,500	1,217	22%		4,868	632
527100	Fuel	17,000	2,085	12%		15,340	1,660
527780	Special Program Expense	3,000	-	0%		3,000	-
527840	Training-Education/ Tuition	525	7	1%		478	47
527980	Contracts	2,176,755	396,277	18%	16	2,175,108	1,647
528120	Board/Commission Expense	6,525	838	13%		5,852	673
528140	Conference/Registration Fees	680	-	0%		680	-
528900	Air Transportation	945	135	14%		940	5
528960	Lodging	1,430	169	12%		1,276	154
528980	Meals	1,215	2	0%		1,208	7
529000	Miscellaneous Travel Expense	75	16	21%		64	11
529040	Private Mileage Reimbursement	1,400	338	24%		1,352	48
529080	Rental Vehicles	300	-	0%		300	-
529500	Electricity	1,800	266	15%		1,786.67	13
<b>Total Appropriation 2</b>		<b>2,545,870</b>	<b>452,900</b>	<b>18%</b>		<b>2,532,959</b>	<b>12,911</b>
535220	Assessments & HOA	46,000	11,500	25%		46,000	-
<b>Total Appropriation 3</b>		<b>46,000</b>	<b>11,500</b>	<b>25%</b>		<b>46,000</b>	<b>-</b>
546320	Vehicles-Cars/Light Trucks	80,000	-	0%		80,000	-
<b>Total Appropriation 4</b>		<b>80,000</b>	<b>-</b>	<b>0%</b>		<b>80,000</b>	<b>-</b>
<b>Total Expenditures</b>		<b>3,223,480</b>	<b>578,755</b>	<b>18%</b>		<b>\$ 3,188,377</b>	<b>\$ 35,103</b>
<b>Net Operating Position</b>		<b>\$ -</b>	<b>\$ 444,894</b>			<b>\$ 691,260</b>	<b>\$ 691,260</b>

**Regional Conservation Authority**  
**Budget vs. Actual Comparison as of September 30, 2017**  
**Capital Projects Fund - 935201 Land Acquisition**

**REVENUE**

Account	Account Description	Budget	Actual	% of Actual to Budget	Note No.	Projection through 6/30/18	Positive (Negative) Variance with Budget
711040	Measure A-Local St & Rds	3,000,000	-	0%		3,000,000	-
722000	Participating Special Entities	1,387,705	-	0%		1,387,705	-
740020	Interest-Invested Funds	103,500	27,132	26%	1	108,528	5,028
751680	CA-Grant Revenue	1,077,000	-	0%		1,077,000	-
766600	Fed-Capital Grants and Contrib	2,000,000	-	0%		2,000,000	-
771410	Flood Control District	200,000	-	0%		200,000	-
777170	Development Mitigation Fees	10,500,000	2,368,763	23%	6	10,500,000	-
777600	TUMF Revenue-Developer Fees	700,000	-	0%		700,000	-
781220	Capital Contributions & Donations	2,401,000	1,190,000	50%		2,401,000	-
781360	Other Miscellaneous Revenue	15,000	13,250	88%	7	15,000	-
<b>Total Revenue</b>		<b>\$ 21,384,205</b>	<b>\$ 3,599,145</b>	<b>\$ 0</b>		<b>\$ 21,389,233</b>	<b>\$ 5,028</b>

**EXPENDITURES**

510040	Regular Salaries	\$ 1,193,980	\$ 223,914	19%		\$ 1,175,656	\$ 18,324
510440	Annual Leave Buydown	53,030	3,770	7%		52,080	950
515200	Retiree Health Insurance	2,855	714	25%		2,855	-
518100	Budgeted Benefits	474,120	81,414	17%		465,656	8,464
<b>Total Appropriation 1</b>		<b>1,723,985</b>	<b>309,812</b>	<b>18%</b>		<b>1,696,247</b>	<b>27,738</b>
520200	Communications	2,050	329	16%		1,816	234
520270	County Delivery Services	35	-	0%		35	-
520320	Telephone Service	1,230	19	2%		1,200	30
520940	Insurance-Other	34,800	8,557	25%	9	34,228	572
521360	Maint-Computer Equip	34,440	8,048	23%		32,192	2,248
521540	Maint-Office Equipment	6,150	748	12%		4,992	1,158
521640	Maint-Software	9,595	10,713	112%		9,595	-
523100	Memberships	9,630	4,100	43%		9,100	530
523230	Miscellaneous Expense	11,395	1,812	16%		11,248	147
523620	Books/Publications	410	-	0%		410	-
523640	Computer Equip-Non Fixed Asset	7,745	255	3%		7,745	-
523660	Computer Supplies	2,460	-	0%		2,460	-
523680	Office Equip Non Fixed Assets	1,640	-	0%		1,640	-
523700	Office Supplies	8,200	752	9%		8,200	-
523760	Postage-Mailing	5,330	141	3%		5,264	66
523800	Printing/Binding	3,280	-	0%		3,280	-
523840	Computer Equipment-Software	8,200	74	1%		8,096	104
526420	Auditing and Accounting	121,960	11,272	9%	10	121,888	72
524900	GIS Services	8,940	2,235	25%	11	8,940	-
525020	Legal Services	1,000,000	96,498	10%	12	999,992	8
525140	Personnel Services	12,300	2,962	24%	13	11,848	452
525840	RCIT Device Access	25,665	4,431	17%	14	25,524	141
525850	RCIT Device Public	410	76	19%		410	-
526700	Rent-Lease Bldgs	166,110	41,526	25%	15	166,104	6
527780	Special Program Expense	16,400	-	0%		16,400	-
527840	Training-Education/Tuition	2,870	36	1%		2,604	266
527980	Contracts	560,660	167,753	30%	16	560,012	648
528120	Board/Commission Expense	35,670	5,566	16%		35,264	406
528140	Conference/Registration Fees	2,235	-	0%		1,800	435
528280	Imaging Supplies	2,500	335	13%		2,340	160
528900	Air Transportation	15,225	737	5%		14,948	277
528920	Car Pool Expense	500	-	0%		500	-
528960	Lodging	16,320	925	6%		16,200	120
528980	Meals	5,210	380	7%		5,020	190
529000	Miscellaneous Travel Expense	1,110	86	8%		844	266
529040	Private Mileage Reimbursement	5,900	1,272	22%		5,588	312
529080	Rental Vehicles	400	-	0%		400	-
<b>Total Appropriation 2</b>		<b>2,146,975</b>	<b>371,638</b>	<b>17%</b>		<b>2,138,127</b>	<b>8,848</b>
532600	Principal Payment	1,000,000	-	0%		1,000,000	-
534000	Interest Notes-Warrants	75,000	13,803	18%	17	58,212	16,788
<b>Total Appropriation 3</b>		<b>1,075,000</b>	<b>13,803</b>	<b>1%</b>		<b>1,058,212</b>	<b>16,788</b>
540040	Land	16,408,245	1,936,488	12%	18	16,408,245	-
540060	Improvements-Land	30,000	-	0%		30,000	-
<b>Total Appropriation 4</b>		<b>16,438,245</b>	<b>1,936,488</b>	<b>12%</b>		<b>16,438,245</b>	<b>-</b>
<b>Total Expenditures</b>		<b>\$ 21,384,205</b>	<b>\$ 2,631,741</b>	<b>12%</b>		<b>\$ 21,330,831</b>	<b>\$ 53,374</b>
<b>Net Operating Position</b>		<b>\$ -</b>	<b>\$ 967,404</b>			<b>\$ 58,402</b>	<b>\$ 58,402</b>

**Regional Conservation Authority**  
**Notes to Financial Reports**  
**As of September 30, 2017**

Operations	Land Management and Monitoring	Land Acquisition	Total RCA
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**REVENUES:**

- 1) Interest from Riverside County Treasurer Pool Investment Fund:

1st quarter interest at 1.21% (estimated)	\$18,522	\$20,215	\$27,132	\$65,870
Total Interest	<u>\$18,522</u>	<u>\$20,215</u>	<u>\$27,132</u>	<u>\$65,870</u>

- 2) Rent revenues from the following sources:

Goodhart		\$1,290		
KCAA Radio		1,800		
Archery Club		750		
Cell Tower Lease		13,795		
Lockheed Lease		250		
Beekeepers		1,470		
Total Rent		<u>\$19,355</u>		

- 3) Infrastructure contributions from member agencies:

Cawston Ave. Paving Project	\$18,019			
Total Infrastructure	<u>\$18,019</u>			

- 4) Civic contributions from member agencies:

City of Menifee - Fire Station #7	\$14,102			
Total Civic	<u>\$14,102</u>			

- 5) Contributions from Riverside County Flood Control:

Corona Drain Line 52	\$52,518			
Sunnymead MDP Line H Project	35,114			
Total Flood Control	<u>\$87,632</u>			

- 6) Mitigation fees through 9/30/17 are as follows:

City of Banning		\$0		
City of Beaumont		104,661		
City of Calimesa		30,465		
City of Canyon Lake		4,062		
City of Corona		23,173		
City of Eastvale		-		
City of Hemet		18,504		
City of Jurupa Valley		392,838		
City of Lake Elsinore		87,333		
City of Menifee		269,269		
City of Moreno Valley		304,958		
City of Murrieta		10,466		
City of Norco		12,056		
City of Perris		10,028		
City of Riverside		166,865		
City of San Jacinto		172,596		
City of Temecula		87,678		
City of Wildomar		48,744		
County of Riverside		625,067		
Total Mitigation		<u>\$2,368,763</u>		

- 7) Miscellaneous Revenues were received as follows:

Deposit Agreements		\$13,250		
Total Miscellaneous Revenues		<u>\$13,250</u>		

**Regional Conservation Authority**  
**Notes to Financial Reports**  
**As of September 30, 2017**

Operations	Land Management and Monitoring	Land Acquisition	Total RCA
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**REVENUES (Continued):**

8) RCA receives \$1.50 per ton for the out-of-county tonnage. In addition, RCA receives a maximum of \$400,000 annually for the in-county tonnage.

	Tonnage	\$1.50 per ton
July 2017	194,225	\$291,338
August 2017	220,921	331,382
September 2017 (Estimated)	207,573	311,360
In-County Contribution	50,000	50,000
	622,719	\$984,079

**EXPENDITURES:**

9) Insurance provided by SDRMA:				
General & Property	\$299	\$1,543	\$8,557	\$10,399
Vehicle Insurance		1,590		1,590
Total Insurance Three Months	\$299	\$3,133	\$8,557	\$11,989
10) Auditing and Accounting consists of the following:				
Brown & Armstrong	\$635	\$1,275	\$10,390	\$12,300
County Auditor-Controller's Office	32	161	882	1,075
Total Auditing and Accounting	667	\$1,436	\$11,272	\$13,375
11) GIS Services				
Digital Globe	\$82	\$409	\$2,235	\$2,725
Total paid for GIS Services	\$82	\$409	\$2,235	\$2,725
12) Legal Services as follows:				
Best, Best and Krieger	\$7,194	\$7,823	\$96,498	\$ 111,515
13) Personnel services by County Human Resources:				
Approx \$1,032 per employee annually	\$108	\$542	\$2,962	\$3,612
14) RCIT Device Charges				
RCIT Monthly \$1,801	\$162	\$811	\$4,431	\$5,404
15) Rent & lease building cost:				
RCA office monthly rent \$16,549.	\$1,519	\$7,596	\$41,526	\$50,642
Monitoring office monthly rent \$6,982		20,945		20,945
Total Rent	\$1,519	\$28,541	\$41,526	\$71,587
16) Contract services are as follows:				
Kadesh			\$17,500	\$17,500
Dudek	62,171	3,150	18,002	83,322
Economic & Planning Systems	381	1,907	10,425	12,714
EDA Real Estate Services			64,086	64,086
Geographics	88	438	2,397	2,923
Hogan Lovells			37,500	37,500
OPR Communications*			15,000	15,000
Parks & Open-Space Dist.-Land Mgmt.		189,095	1,216	190,311
Thomas Mullen (Reimbursable Expenditures)			1,627	1,627
SAWA		201,686		201,686
Total Contracts	\$62,640	\$396,277	\$167,753	\$626,669

\* Contracts approved under Executive Director Authority.

**Regional Conservation Authority  
Notes to Financial Reports  
As of September 30, 2017**

<b>Operations</b>	<b>Land Management and Monitoring</b>	<b>Land Acquisition</b>	<b>Total RCA</b>
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**EXPENDITURES (CONTINUED):**

17) Interest to Riverside County on Loan	
Interest rate at average 2017 Treasurer Pool Investment rate of 1.10%	\$13,803
18) Land acquisition costs are as follows:	
Land Donated to the Authority:	
Cornerstone Donation	\$1,190,000
Subtotal Donated Property	\$1,190,000
Escrow payment on properties pending acquisition:	
Katz Acquisition	148,200
Bechtel, Brian	322,848
Allred, Mark	171,908
Consultants Costs:	
EDA Real Estate Services	87,288
Parks & Open-Space Dist.	827
Inland Empire Consultants*	8,000
Michael Francis*	6,500
Other Costs	918
Total Land Acquisition Costs	\$1,936,488

\* Contracts approved under Executive Director Authority.

**AGENDA ITEM NO. 8**  
**Attachment 3**

**MSCHCP FEE**  
**COLLECTIONS REPORT**

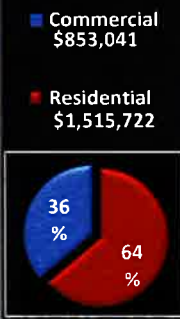
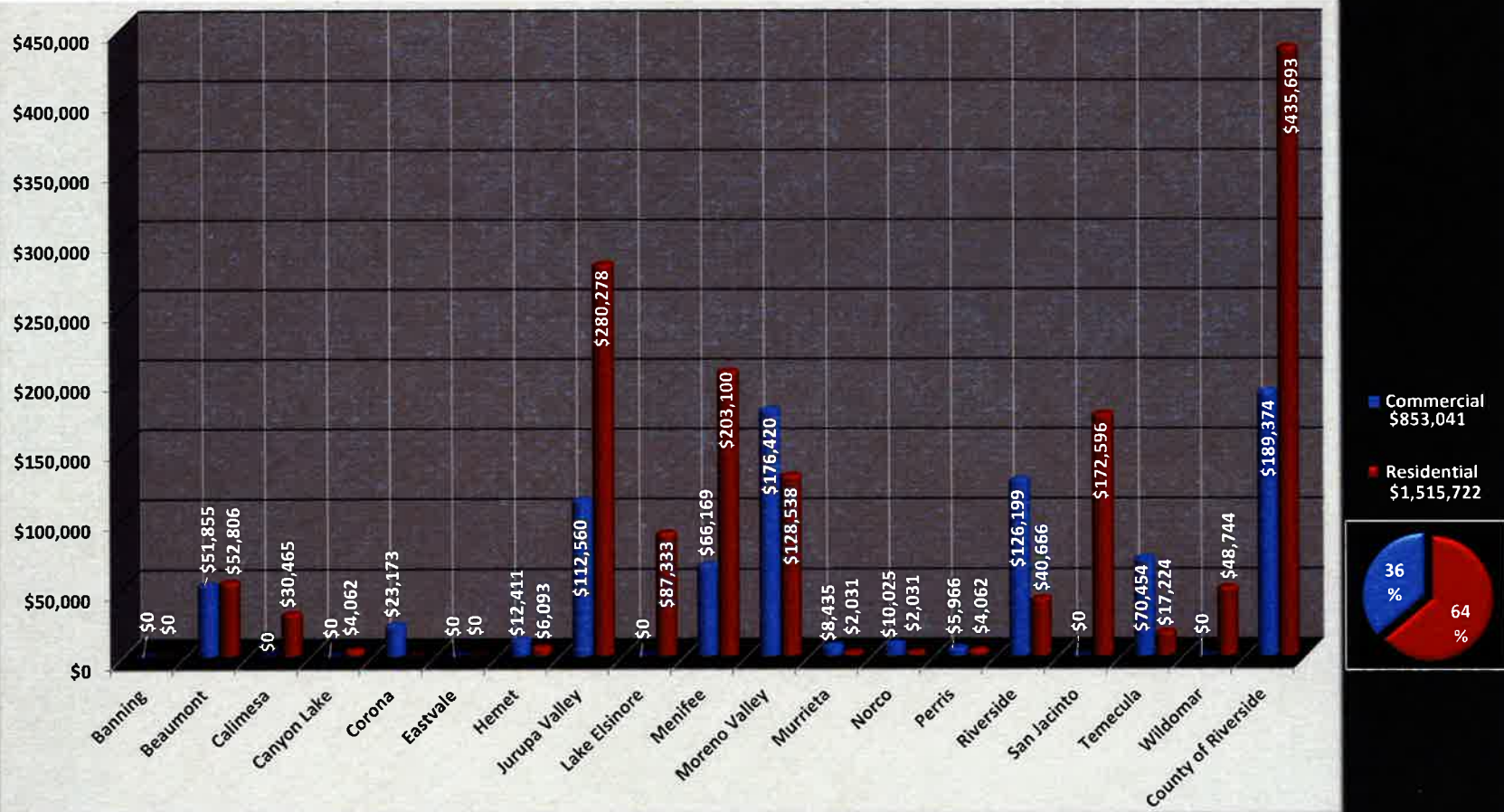


**REGIONAL CONSERVATION AUTHORITY**  
**MSHCP MITIGATION FEE COLLECTIONS BY MEMBER AGENCY**  
**FISCAL YEAR 2018**

BASED ON ACCRUAL BASIS (Month reported by City)

<u>COUNTY AND CITIES:</u>	JUL 2017	AUG 2017	SEP 2017	TOTALS FY 2018	PERCENT OF TOTAL
CITY OF BANNING	\$ -	\$ -	\$ -	\$ -	0.0%
CITY OF BEAUMONT	-	72,165	32,496	104,661	4.4%
CITY OF CALIMESA	-	-	30,465	30,465	1.3%
CITY OF CANYON LAKE	-	2,031	2,031	4,062	0.2%
CITY OF CORONA	23,173	-	-	23,173	1.0%
CITY OF EASTVALE	-	-	-	-	0.0%
CITY OF HEMET	6,093	-	12,411	18,504	0.8%
CITY OF JURUPA VALLEY	52,806	183,887	156,145	392,838	16.6%
CITY OF LAKE ELSINORE	26,403	40,620	20,310	87,333	3.7%
CITY OF MENIFEE	96,565	60,930	111,774	269,269	11.4%
CITY OF MORENO VALLEY	63,546	77,645	163,768	304,958	12.9%
CITY OF MURRIETA	8,435	2,031	-	10,466	0.4%
CITY OF NORCO	-	2,031	10,025	12,056	0.5%
CITY OF PERRIS	-	2,031	7,997	10,028	0.4%
CITY OF RIVERSIDE	40,852	126,013		166,865	7.0%
CITY OF SAN JACINTO	46,713	79,209	46,674	172,596	7.3%
CITY OF TEMECULA	51,579	36,098		87,678	3.7%
CITY OF WILDOMAR	-	17,967	30,777	48,744	2.1%
COUNTY OF RIVERSIDE (LMS)	283,561	166,032	175,473	625,067	26.4%
<b>TOTAL COUNTY AND CITIES</b>	<b>\$ 699,726</b>	<b>\$ 868,690</b>	<b>\$ 800,346</b>	<b>\$ 2,368,763</b>	<b>100.0%</b>
<b>OTHER</b>					
FLOOD CONTROL	\$ -	\$ -	\$ 87,632	\$ 87,632	73.2%
OTHER GOV MSHCP INFRASTRUCTURE	18,019	-	-	18,019	15.0%
OTH GOV MSHCP CIVIC PROJECTS	14,102	-	-	14,102	11.8%
<b>TOTAL OTHER</b>	<b>\$ 32,121</b>	<b>\$ -</b>	<b>\$ 87,632</b>	<b>\$ 119,753</b>	<b>100.0%</b>
<b>GRAND TOTAL</b>	<b>\$ 731,847</b>	<b>\$ 868,690</b>	<b>\$ 887,978</b>	<b>\$ 2,488,516</b>	

**Fiscal Year 2018  
MSHCP Development Mitigation Fee Revenues  
July 1, 2017 through September 30, 2017**



# **AGENDA ITEM NO. 9**

## **FISCAL YEAR 2017 AUDITED FINANCIAL STATEMENTS**

## ***Regional Conservation Authority***

### **FISCAL YEAR 2017 AUDITED FINANCIAL STATEMENTS**

**Staff Contact:**

**Honey Bernas  
Director of Administrative Services  
(951) 955-2842**

**Background:**

The Joint Powers Agreement creating the Western Riverside County Regional Conservation Authority (RCA) requires that an independent certified public accountant or firm perform an annual audit of the accounts and records of the RCA, and that a complete written report of such audit be filed with the Auditor Controller's Office annually, pursuant to Government Code Section 6505.

On May 1, 2017, Brown Armstrong Accountancy Corporation was selected to perform the annual audit of the RCA's basic financial statements and federal awards. The Independent Auditors' Report contained in the Basic Financial Statements (page 1) indicates that the financial statements present fairly, in all material respects, the financial position of the RCA as of June 30, 2017. This opinion is considered "clean" or "unmodified," which means that the RCA's accounting and financial reporting is consistent with Generally Accepted Accounting Principles (GAAP). The "unmodified" opinion is the highest designation auditors can give.

As recipients of federal funds, the RCA is required to undergo a separate independent audit of federal funds, referred to as the "Single Audit Report." The Single Audit requires the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements involving the administration of federal awards. These reports noted no matters considered to be material weakness in internal controls and no instances of noncompliance.

Statement on Auditing Standards No. 114, *The Auditors' Communication with Those Charged with Governance*, requires the auditor to make certain annual communications to the RCA's governing body regarding the audit of the financial statements. The attached Report on SAS 114 discloses those matters to the RCA's Board of Directors.

**Staff Recommendations:**

That the RCA Executive Committee –

- 1) Recommend that the RCA Board of Directors receive and file the following reports:
  - A) Basic Financial Statements with Independent Auditors' Report for the Year Ended June 30, 2017;
  - B) Single Audit Report for the year ended June 30, 2017; and
  - C) SAS 114 Report - *The Auditors' Communication with Those Charged with Governance*; and
- 2) Authorize staff to agendaize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**Attachments:**

- 1) Basic Financial Statements with Independent Auditors' Report for the Year Ended June 30, 2017
- 2) Single Audit Report for the year ended June 30, 2017
- 3) SAS 114 Report - *The Auditors' Communication with Those Charged with Governance*

**AGENDA ITEM NO. 9**  
**Attachment 1**

**Basic Financial Statements  
with Independent Auditors'  
Report for the Year Ended  
June 30, 2017**

**WESTERN RIVERSIDE COUNTY  
REGIONAL CONSERVATION AUTHORITY**

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

**FOR THE YEAR ENDED  
JUNE 30, 2017**

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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 (Authority), as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

## 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 on pages 3 – 10 and 33 – 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 November 3, 2017, 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 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 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  
November 3, 2017

## WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

### Management's Discussion and Analysis

June 30, 2017

Our discussion and analysis of Western Riverside County Regional Conservation Authority's (the "Authority") financial performance provides narrative overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Authority's financial statements.

#### Financial Highlights

- The Authority's net position increased by \$27.6 million or 7.0% during the fiscal year. This is the amount by which total revenues exceeded total expenses for the year.
- Capital assets increased by \$24.4 million. Approximately 2,436 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 grants, state grants, and land donations from private developers.
- Total fund balances of the Authority's governmental funds were \$38.3 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

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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 \$423.4 million at the close of the most recent fiscal year.

**Net Position**

	As of June 30:		
	2017	2016	Change
Assets			
Capital assets	\$ 390,649,354	\$ 366,215,702	\$ 24,433,652
Other assets	42,604,102	41,037,381	1,566,721
Total assets	<u>433,253,456</u>	<u>407,253,083</u>	<u>26,000,373</u>
Liabilities			
Other liabilities	3,803,946	4,076,974	(273,028)
Long-term liabilities	6,091,053	7,405,456	(1,314,403)
Total liabilities	<u>9,894,999</u>	<u>11,482,430</u>	<u>(1,587,431)</u>
Net position			
Net investment in capital assets	385,494,075	359,735,534	25,758,541
Restricted	15,942,994	17,098,442	(1,155,448)
Unrestricted	21,921,388	18,936,677	2,984,711
Total net position	<u>\$ 423,358,457</u>	<u>\$ 395,770,653</u>	<u>\$ 27,587,804</u>

## WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

### Management's Discussion and Analysis

June 30, 2017

- By far the largest portion of the Authority's net position, \$385.5 million (91.1%), 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 2,436 acres of land, increasing capital assets and the net investment in capital assets by \$25.8 million.
- A portion of the Authority's net position, \$15.9 million (3.7%), represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$21.9 million (5.2%) is unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's total program and general revenues were \$32.9 million, while the total cost of all programs was approximately \$5.7 million. Total revenues increased by \$3.2 million (10.6%) whereas the total cost of all programs increased by \$7.8 thousand (0.1%). Key elements of these changes are as follows:

#### Changes in Net Position

	For the Years Ended June 30:		
	2017	2016	Change
Revenues			
Program revenues			
Charges for services	\$ 114,268	\$ 99,543	\$ 14,725
Operating grants/contributions	7,012,285	3,947,405	3,064,880
Capital grants/contributions	25,588,915	25,475,046	113,869
General revenues			
Unrestricted investment earnings	76,368	110,986	(34,618)
Other general	90,673	92,463	(1,790)
Total revenues	32,882,509	29,725,443	3,157,066
Expenses			
General operations	354,383	456,763	(102,380)
Management and monitoring	2,538,069	2,481,129	56,940
Land acquisition	2,751,259	2,712,283	38,976
Interest	43,061	28,844	14,217
Total expenses	5,686,772	5,679,019	7,753
Excess before permanent	27,195,737	24,046,424	3,149,313
Contribution to permanent	392,067	-	392,067
Increase in net position	27,587,804	24,046,424	3,541,380
Net position, beginning	395,770,653	371,724,229	24,046,424
Net position, ending	\$ 423,358,457	\$ 395,770,653	\$ 27,587,804

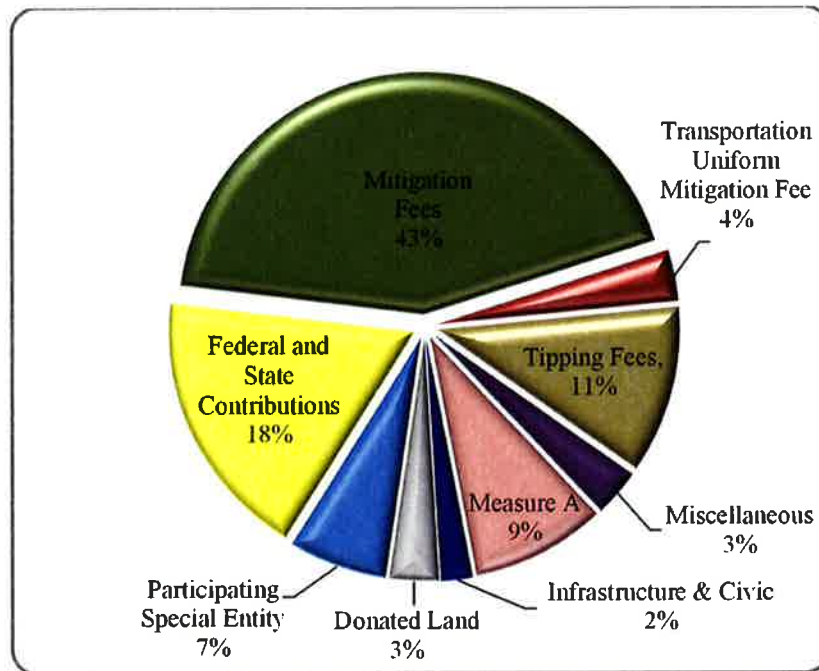
- Charges for services consisting of joint project reviews increased by 14.8%, from \$99.5 thousand, in fiscal year 2016 to \$114.3 thousand in fiscal year 2017. The increase was caused by an increase in development which triggers an increase in joint project reviews conducted by the Authority.
- Operating grants and contributions increased by \$3.1 million, or 77.6% for the following reasons:
  - The Authority received \$2.1 million from Southern California Edison as a participating special entity to receive MSHCP coverage for the West of Devers project during the current year. During the prior year, the Authority only received \$10,137 in these fees.
  - Landfill tipping fees increased by \$637 thousand, from \$3.1 million in fiscal year 2016 to

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

\$3.7 million in fiscal year 2017. Tipping fees are contributed to the Authority from Riverside County based on out-of-county waste collected. Fiscal year 2017 represents the highest contribution to the Authority since its inception.

- Capital grants and contributions this year of \$25.6 million remained consistent with prior year contributions at about \$25.5 million. The following amounts represent the significant sources:
  - Developer mitigation fees increased by \$2.0 million in the current year in comparison to prior year due to increased industrial and residential development in the current year.
  - Decrease in donated land of \$1.2 million from prior year. In the current year, the Authority received five land donations and one conservation easement with an acquisition value of \$1.1 million and approximately 381.8 acres, whereas in fiscal year 2016, three land donations and two conservation easements were received with a value of \$2.3 million and approximately 261.6 acres.
  - Federal and state grant capital grant contributions decreased by \$888.8 thousand in the current year. In the current year, the Authority's federal and state contributions amounted to \$6.0 million. The Authority successfully closed escrow on five properties funded with grant funds with a combined acreage of 932.

**Total Program and General Revenues by Source**

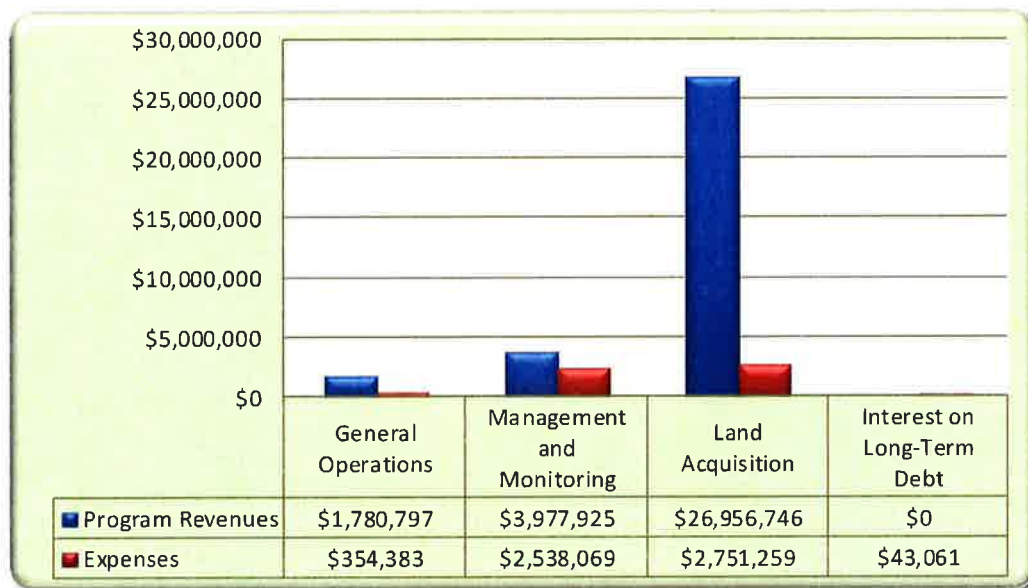


- **General Operations expenses decreased by \$102.4 thousand.** The decrease was primarily attributable to a shift of contractual labor from general operations to Land Management and Monitoring program as staff's time dedicated to management of the reserve land has increased over time. In addition, the Authority incurred savings in general legal representation for the year.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

- Land Management and Monitoring expenses increased by \$56.9 thousand, or 2.3%, which resulted from the following:
  - Approximately \$99 thousand increase due to the shift of contractual labor cost from General Operations to Land Management and Monitoring Program.
  - In prior year, the Authority incurred about \$54.7 thousand in contractual costs in the development of habitat for Tricolor Blackbird. The project was completed in fiscal year 2016, accordingly no costs associated with it were incurred in the current year.
- Land acquisition expenses increased by \$39 thousand, or 1.4%, primarily due to increase in professional services incurred in current year.

**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 \$38.3 million, an increase of \$1.2 million in comparison with the prior year. Approximately 55.4%, or \$21.2 million, is unassigned, which is available for spending at the Authority's discretion. About \$3.5 million, or 9.2%, is nonspendable from permanent endowment contributions. An additional \$12.7 million, or 33.2%, constitutes restricted fund balance for land acquisition and management and monitoring programs as outlined in Note 5 to the basic financial statements. The remaining \$820.7 thousand has been assigned by the Authority's Management for future management and monitoring of the reserve land.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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 \$21.2 million, while restricted fund balance was \$77.5 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 726.4% of total General Fund expenditures, while total fund balance represents approximately 729.1% of that same amount.

The Capital Projects Fund had a \$2.2 million decrease in fund balance during the current fiscal year from \$14.7 million in fiscal year 2016 to \$12.5 million in the current year. The decrease was a result of expediting the purchase of previously committed land acquisitions, as disclosed in Note 8 to the financial statements. The fund balance of \$12.5 million is restricted by external contributors for land acquisition and related costs.

Fund balance in the Permanent Endowment Fund increased by \$623.7 thousand. The increase was attributable to \$214.9 thousand received from Southern California Edison participating special entity funds in the current year and \$392.1 endowment contributions from two private developers for future land management and maintenance of donated land.

**General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year, the original budgeted revenues were increased by \$80 thousand in landfill tipping fees. Budgeted Appropriations in Land Management and Monitoring were increased by \$80 thousand during the year to purchase two vehicles for park rangers maintaining the reserve land.

*Final budget compared to actual results.*

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

- The budget for participating special entities of \$137.5 thousand was under projected. The actual revenue received was \$990.9 thousand in the General Fund. Funds from participating special entities are not consistent from year to year and often require a lengthy time to negotiate. Accordingly, the Authority approved a conservative budget for fiscal year 2017 with little projected funds from this source. During the year, the Authority was able to reach a funding agreement with Southern California Edison to receive MSHCP coverage for the West of Devers project.
- Landfill tipping revenues were budgeted at \$2.5 million. The out-of-county tonnage disposal this year surpassed the expectations. Thus, actual revenues of \$3.7 million exceeded the budget by \$1.3 million.

The variance between the final budget and actual expenditures:

- Actual expenditures for services and supplies were well under the budget by approximately \$109.3 thousand for General Operations program due to savings in litigation costs and contractual services in comparison to the budget.
- The Land Management and Monitoring program achieved \$68.2 thousand savings in contractual labor resulting from one budgeted position for an ecological resources specialist. The position was budgeted for a full year, but was filled toward the end of the fiscal year.
- Additionally, \$327.4 thousand of appropriations savings in services and supplies were achieved. 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. Actual services were less than previously estimated. Savings in legal representation were also realized.



**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Capital Assets and Debt Administration**

The Authority's investment in capital assets for its governmental funds as of June 30, 2017 amounts to \$390.6 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 7%.

	Capital Assets	
	June 30,	
	2017	2016
Land	\$ 385,110,843	\$ 360,622,829
Land acquisition in process	1,035,627	1,113,918
Conservation easements	3,294,526	3,235,173
Construction in progress	-	4,140
Buildings and improvements	1,054,757	1,054,757
Land improvements	458,400	449,179
Equipment and software	414,834	397,445
Total capital assets	391,368,987	366,877,441
Less accumulated depreciation	(719,633)	(661,739)
Total capital assets, net	<u>\$ 390,649,354</u>	<u>\$ 366,215,702</u>

During the year, the Authority acquired twenty-five new properties and one conservation easement with a combined total of 2,436 acres as follows:

- The Authority received five land donations from private developers. The donated land of approximately 358.2 acres had an acquisition value of \$1.1 million at the time of donation. In addition, the Authority received one conservation easement with an acquisition value of \$38.5 thousand and about 23.6 acres.
- Five properties of approximately 932.1 acres were acquired with Federal funds (U.S. Department of the Interior, Fish and Wildlife Service) and State funds (California Department of Fish and Wildlife) of \$3.4 million and \$2.6 million, respectively.
- The Authority also acquired 15 properties totaling 1,122.8 acres using MSHCP local development mitigation fees, Measure A funds, and TUMF funds.
- Additionally, the Authority purchased two new vehicles 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*

During the year, the Authority agreed to expedite the land purchase of a phased acquisition. The accrued phased acquisition fee of \$1.3 million was paid during the year as result of the agreement. In addition, net contract related payables increased by \$10.5 thousand during the year. This represents the net change in accrued annual leave balances earned by contracted staff.

As discussed in Note 8, the Authority has an installment sale note with a private seller and a loan with the County of Riverside which remains outstanding as of June 30, 2017. For additional information regarding long-term debt, see Note 8.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**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 (Los Angeles-Riverside-Orange County). On March 6, 2017, the Authority's Board of Directors approved an increase to the Mitigation Fees of 1.97%, effective July 1, 2017. This increase was incorporated into the Authority's Budget for fiscal year 2018 which was approved by the Board of Directors on May 1, 2017.

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 years 2016 to be passed-through to the Authority upon purchase of eligible reserve land. The grant funds are restricted for land acquisition costs only.

**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 10<sup>th</sup> Street, Suite 320, Riverside, California, 92501, (951) 955-9700.

**BASIC FINANCIAL STATEMENTS**

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**

**Statement of Net Position**

**June 30, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 33,352,010
Accounts receivable, net (Note 3)	4,765,081
Interest receivable	48,483
Restricted cash and investments (Note 2)	4,438,528
Capital assets (Note 4):	
Depreciable, net	1,208,358
Nondepreciable	389,440,996
Total Assets	<u>433,253,456</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	345,764
Contracted labor payable	140,257
Customer deposits	1,500
Unearned revenues (Note 7)	3,291,354
Accrued interest payable	25,071
Long-term liabilities (Note 8):	
Due within one year	1,316,119
Due after one year	4,774,934
Total Liabilities	<u>9,894,999</u>
<b>NET POSITION (Note 5)</b>	
Net investment in capital assets	385,494,075
Restricted for:	
Management and monitoring:	
Expendable	184,099
Nonexpendable	3,540,391
Land acquisition	12,218,504
Unrestricted	21,921,388
Total Net Position	<u>\$ 423,358,457</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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General operations	\$ 354,383	\$ 114,268	\$ 1,666,529	\$ -	\$ 1,426,414
Management and monitoring	2,538,069	-	3,977,925	-	1,439,856
Land acquisition	2,751,259	-	1,367,831	25,588,915	24,205,487
Interest	43,061	-	-	-	(43,061)
Total governmental activities	<u>\$ 5,686,772</u>	<u>\$ 114,268</u>	<u>\$ 7,012,285</u>	<u>\$25,588,915</u>	<u>27,028,696</u>
General Revenues:					
Unrestricted investment earnings					76,368
Other revenue					90,673
Contributions to permanent endowment					<u>392,067</u>
Total general revenues					<u>559,108</u>
Change in net position					27,587,804
Net position beginning of year					<u>395,770,653</u>
Net position end of year					<u>\$ 423,358,457</u>

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

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**

**Balance Sheet – Governmental Funds**

**June 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent Endowment</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 20,196,810	\$ 13,054,408	\$ 100,792	\$ 33,352,010
Accounts receivable, net (Note 3)	1,421,663	3,343,418	-	4,765,081
Interest receivable	25,721	16,977	5,785	48,483
Restricted cash and investments(Note 2)	77,422	-	4,361,106	4,438,528
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 21,721,616	\$ 16,414,803	\$ 4,467,683	\$ 42,604,102
<b>LIABILITIES</b>				
Accounts payable	\$ 227,634	\$ 118,130	\$ -	\$ 345,764
Contracted labor payable	46,549	93,708	-	140,257
Customer deposits	1,500	-	-	1,500
Unearned revenue (Note 7)	143,569	2,859,461	-	3,003,030
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	419,252	3,071,299	-	3,490,551
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue (Note 1)	-	816,824	-	816,824
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	-	816,824	-	816,824
<b>FUND BALANCES (Note 5):</b>				
Nonspendable	-	-	3,540,391	3,540,391
Restricted	77,522	12,526,680	106,577	12,710,779
Assigned	-	-	820,715	820,715
Unassigned	21,224,842	-	-	21,224,842
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	21,302,364	12,526,680	4,467,683	38,296,727
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,721,616	\$ 16,414,803	\$ 4,467,683	\$ 42,604,102

*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, 2017**

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

Total fund balances - governmental funds	\$ 38,296,727
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	390,649,354
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	816,824
Unearned mitigation revenues exchanged for land, not reported in the funds (Note 7).	(288,324)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(5,155,279)
Contract related payables	(935,774)
Accrued interest payable	(25,071)
Net position of governmental activities	\$ 423,358,457

*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, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent Endowment</u>	<u>Total</u>
<b>REVENUES</b>				
Mitigation fees (Note 6)	\$ -	\$ 14,024,055	\$ -	\$ 14,024,055
Measure A	-	3,000,000	-	3,000,000
Transportation uniform mitigation fee	-	850,000	-	850,000
Infrastructure mitigation	675,636	27,587	-	703,223
Participating special entities	990,893	966,872	214,861	2,172,626
Landfill tipping fees	3,746,320	-	-	3,746,320
Federal and state contributions	-	6,007,200	-	6,007,200
Interest	76,368	60,053	16,744	153,165
Joint project review	114,268	-	-	114,268
Miscellaneous revenue	90,673	313,319	-	403,992
Total revenues	<u>5,694,158</u>	<u>25,249,086</u>	<u>231,605</u>	<u>31,174,849</u>
<b>EXPENDITURES</b>				
Current:				
General operations	350,171	-	-	350,171
Management and monitoring	2,504,182	-	-	2,504,182
Land acquisition	-	2,596,030	-	2,596,030
Debt Service:				
Payment of phased acquisition fee	-	1,324,889	-	1,324,889
Interest	-	57,831	-	57,831
Capital outlay	67,547	23,435,230	-	23,502,777
Total expenditures	<u>2,921,900</u>	<u>27,413,980</u>	<u>-</u>	<u>30,335,880</u>
Excess (deficiency) of revenues over (under) expenditures	2,772,258	(2,164,894)	231,605	838,969
<b>Other Financing Sources</b>				
Contributions to permanent endowment	-	-	392,067	392,067
Total other financing sources	<u>-</u>	<u>-</u>	<u>392,067</u>	<u>392,067</u>
Net change in fund balances	2,772,258	(2,164,894)	623,672	1,231,036
Fund balances beginning of the year	<u>18,530,106</u>	<u>14,691,574</u>	<u>3,844,011</u>	<u>37,065,691</u>
Fund balances end of year	<u>\$ 21,302,364</u>	<u>\$ 12,526,680</u>	<u>\$ 4,467,683</u>	<u>\$ 38,296,727</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, 2017**

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

Net change in fund balances - total governmental funds	\$ 1,231,036
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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	23,502,777
Donated land	1,090,720
Less current year depreciation expense	(108,052)
Less loss on disposal of assets	(51,793)

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:

Change in non-capitalized phased acquisition fee	75,921
Change in capitalized phased acquisition fee	1,248,968

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)	328,674
Change in unavailable funds	288,266

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 governmental funds.

Change in contract related payables	(10,486)
Change in accrued interest payable	(8,227)

Change in net position of governmental activities	\$ 27,587,804
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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:

Marion Ashley	Chairman	County of Riverside, 5 <sup>th</sup> District Supervisor
Jonathan Ingram	Vice Chairman	City of Murrieta
Daniela Andrade	Member	City of Banning
Julio Martinez	Member	City of Beaumont
Jeffrey Hewitt	Member	City of Calimesa
Larry Greene	Member	City of Canyon Lake
Eugene Montanez	Member	City of Corona
Clint Lorimore	Member	City of Eastvale
Michael Perciful	Member	City of Hemet
Verne Lauritzen	Member	City of Jurupa Valley
Natasha Johnson	Member	City of Lake Elsinore
Matt Liesemeyer	Member	City of Menifee
Jeffrey Giba	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
Maryann Edwards	Member	City of Temecula
Timothy Walker	Member	City of Wildomar
Kevin Jeffries	Member	County of Riverside, 1 <sup>st</sup> District Supervisor
John Tavaglione	Member	County of Riverside, 2 <sup>nd</sup> District Supervisor
Chuck Washington	Member	County of Riverside, 3 <sup>rd</sup> District Supervisor
V. Manuel Perez	Member	County of Riverside, 4 <sup>th</sup> 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 government 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 accrual 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 loss in the amount of \$76,396 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*, represents 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 revenues of \$816,824 from transportation uniform mitigation fees as of June 30, 2017. 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 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, 2016:

GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, and No. 73. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**1. Reporting Entity and Significant Accounting Policies (Continued)**

**Future Accounting Pronouncements (Continued)**

The following GASB Statements have been issued prior to June 30, 2017. The Authority has not determined the effect of these statements in future financial statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement is effective for fiscal years beginning after December 15, 2016.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations. This statement is effective for fiscal years beginning after June 15, 2018.

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. 85, *Omnibus 2017*. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this statement is improve consistency in accounting and financial reporting for in-substance defeasance of debt. This statement is effective for fiscal years beginning after June 15, 2017.

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.

**2. Cash and Investments**

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

Cash and investments	\$33,352,010
Restricted cash and investments	<u>4,438,528</u>
Total cash and investments	<u>\$37,790,538</u>

At June 30, 2017, cash and investments consisted of the following:

Riverside County Treasurer's Pooled Investment Fund	<u>\$37,790,538</u>
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**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**2. Cash and Investments (Continued)**

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	\$ 4,361,106
Burrowing owl habitat	<u>77,422</u>
Total cash and investments	<u>\$ 4,438,528</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 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 Pool, 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, 11<sup>th</sup> Floor, Riverside, California, 92501.

**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	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
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

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**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	\$ -	\$ 3,006,867	\$ 3,006,867
Infrastructure mitigation	288,481	-	288,481
County of Riverside	1,278,631	8,949	1,287,580
Transportation uniform mitigation fee	-	816,824	816,824
Subtotal	<u>1,567,112</u>	<u>3,832,640</u>	<u>5,399,752</u>
Due from Others:			
Charges for services	50,924	-	50,924
Others	3,500	17,674	21,174
Subtotal	<u>54,424</u>	<u>17,674</u>	<u>72,098</u>
Total receivable	<u>1,621,536</u>	<u>3,850,314</u>	<u>5,471,850</u>
Less allowance for uncollectible accounts	<u>(199,873)</u>	<u>(506,896)</u>	<u>(706,769)</u>
Accounts receivable (net)	<u>\$ 1,421,663</u>	<u>\$ 3,343,418</u>	<u>\$ 4,765,081</u>

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 \$192,290 in outstanding infrastructure mitigation contributions from member agencies and \$7,583 for outstanding charges for services. In the Capital Projects Fund, an allowance of \$506,896 has been established for outstanding mitigation fees from member agencies.

**4. Capital Assets**

Activity relating to capital assets is as follows:

	Balance June 30, 2016	Additions	Transfers	Deletions	Balance June 30, 2017
<b>Nondepreciable assets</b>					
Land - contributed	\$ 195,959,598	\$ 4,052,220	\$ -	\$ -	\$ 200,011,818
Land - grants	34,223,152	6,007,200	-	-	40,230,352
Land - purchased	130,440,079	14,181,562	247,032	-	144,868,673
Land - acquisition in progress	1,113,918	220,534	(247,032)	(51,793)	1,035,627
Conservation easements - contributed	2,526,025	38,500	-	-	2,564,525
Conservation easements - purchased	709,148	20,853	-	-	730,001
Construction in progress	4,140	-	(4,140)	-	-
Total nondepreciable assets	<u>364,976,060</u>	<u>24,520,869</u>	<u>(4,140)</u>	<u>(51,793)</u>	<u>389,440,996</u>



**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**4. Capital Assets (Continued)**

	Balance June 30, 2016	Additions	Transfers	Deletions	Balance June 30, 2017
<b>Depreciable assets</b>					
Buildings and improvements	\$ 1,054,757	\$ -	\$ -	\$ -	\$ 1,054,757
Land improvements	449,179	5,081	4,140	-	458,400
Equipment	179,260	-	-	(50,158)	129,102
Vehicles	180,540	67,547	-	-	248,087
Website development	37,645	-	-	-	37,645
Subtotal depreciable assets	1,901,381	72,628	4,140	(50,158)	1,927,991
Accumulated depreciation	(661,739)	(108,052)	-	50,158	(719,633)
Net depreciable assets	1,239,642	(35,424)	4,140	-	1,208,358
Total capital assets, net	\$ 366,215,702	\$ 24,485,445	\$ -	\$ (51,793)	\$ 390,649,354

Depreciation expense for the year ended June 30, 2017 is \$108,052. Depreciation expense was charged to governmental functions as follows:

General operations	\$ 3,164
Management and monitoring	32,838
Land acquisition	72,050
Total depreciation	<u>\$ 108,052</u>

**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 permanently nonspendable fund balance of \$3,540,391 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 \$77,522 and \$19,680 have been received for improving burrowing owl habitat and fencing on specific property, respectively. Investment income earned on permanent funds of \$106,577 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.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**5. Fund Balances/Net Position (Continued)**

*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, 2017, the Authority had no committed fund balances.

*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 \$820,715 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.

Fund Balance at June 30, 2017 is as follows:

<b>Fund Balances:</b>	<b>General</b>	<b>Capital Projects</b>	<b>Permanent Endowment</b>	<b>Total</b>
Nonspendable				
Permanent endowment funds	\$ -	\$ -	\$ 3,540,391	\$ 3,540,391
Restricted				
Management and monitoring				
Burrowing owls	77,522	-	-	77,522
Management endowment	-	-	106,577	106,577
Land acquisition programs				
Fencing	-	19,680	-	19,680
Non-development properties	-	289,451	-	289,451
Land acquisition costs	-	12,217,549	-	12,217,549
Subtotal restricted	<u>77,522</u>	<u>12,526,680</u>	<u>106,577</u>	<u>12,710,779</u>
Assigned				
Management endowment	-	-	820,715	820,715
Unassigned	21,224,842	-	-	21,224,842
Total fund balances	<u>\$ 21,302,364</u>	<u>\$ 12,526,680</u>	<u>\$ 4,467,683</u>	<u>\$ 38,296,727</u>

**Net Position**

Net investment in capital assets of \$385,494,075 represents the value of capital assets held at June 30, 2017, less the balance outstanding on the note and loan payable used to acquire capital assets. Of the restricted net position: \$184,099 is temporarily restricted for land and management programs such as improving burrowing owl habitat and management of certain acquired properties; \$12,218,504 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 \$3,540,391 is permanently restricted to accumulate funds to be used for land adaptive management. Unrestricted net position of \$21,921,388 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, 2017:

<u>Member</u>	<u>Capital Projects Fund</u>
City of Banning	\$ -
City of Beaumont	2,025,891
City of Calimesa	170,219
City of Canyon Lake	21,804
City of Corona	535,152
City of Eastvale	798,899
City of Hemet	12,204
City of Jurupa Valley	1,148,973
City of Lake Elsinore	359,118
City of Menifee	1,179,010
City of Moreno Valley	1,294,804
City of Murrieta	81,150
City of Norco	107,672
City of Perris	1,322,815
City of Riverside	1,337,278
City of San Jacinto	394,416
City of Temecula	339,747
City of Wildomar	380,845
County of Riverside	2,514,058
Total	<u>\$ 14,024,055</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.

<u>Governmental Fund Financials</u>	
General Fund	
Operating contributions advanced	\$ 143,569
Capital Projects Fund	
Infrastructure mitigation credit	2,836,637
Land acquisition contributions	22,824
Subtotal Capital Projects Fund	<u>2,859,461</u>
Total Governmental Funds	<u>3,003,030</u>
 <u>Government-Wide Financials</u>	
Development mitigation fee credit	288,324
Total Government-Wide	<u>\$ 3,291,354</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, 2017 is \$2,836,637.

*Development mitigation fee credit*

The Authority entered into a development mitigation fee credit agreement with a development corporation in May 2013. The Authority granted \$3,150,000 in mitigation fee credits to the corporation in exchange for property owned by the corporation of approximately 309 acres. The mitigation fee credits may be used by the corporation to satisfy payment of future development fees within the Authority's boundaries. During the current year, the corporation applied \$328,674 in fee credits toward mitigation fees. As of June 30, 2017, \$288,324 in fee credits remains unearned.

**8. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment sale note	\$ 155,279	\$ -	\$ -	\$ 155,279	\$ 155,279
County of Riverside loan	5,000,000	-	-	5,000,000	1,000,000
Phased acquisition fee	1,324,889	-	(1,324,889)	-	-
Contract related payables	925,288	199,272	(188,786)	935,774	160,840
<b>Total long-term debt</b>	<b>\$ 7,405,456</b>	<b>\$ 199,272</b>	<b>\$(1,513,675)</b>	<b>\$ 6,091,053</b>	<b>\$ 1,316,119</b>

*Installment Sale Note*

At June 30, 2017, 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, 2017. The outstanding balance at June 30, 2017 is \$5,000,000. The average rate of the Riverside County Treasurer's Pooled Investment rate was 1.0% as of June 30, 2017.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**8. Long-Term Liabilities (Continued)**

*Phased Acquisition Fee*

In December 2011, the Authority entered into a purchase and sale agreement with a corporation to acquire land with an initial land value of \$42,000,000. The land is to be purchased in nine annual phases commencing in January 2012 and ending in January 2020. The Authority agreed to a phased acquisition fee to compensate the corporation for the deferment of the purchase. The acquisition fee is measured at 4% per annum, compounded annually, over the remaining phases not purchased commencing January 5, 2012 and payable in January 2020. The accumulated phased acquisition fee as of June 30, 2016 on the closed phases was \$1,324,889. In November 2016, the sale agreement was amended to expedite the purchase of phase seven, phase eight, and the accumulated phased acquisition fee for phases 1 through 8 of the agreement in December 2016. Accordingly the phased acquisition fee was \$0 for all closed phases as of June 30, 2017.

*Contract Related Payables*

As discussed in Note 9, 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, 2017, the contractual liability to the County for leave balances accrued is \$935,774. The amount is due and payable to the County upon retirement or termination of current staff assigned to the Authority.

As of June 30, 2017, annual debt service requirements to maturity are as follows:

Year ending June 30	Installment	County of Riverside Loan	
	Sale Loan Principal	Principal	Interest
2018	\$ 155,279	\$ 1,000,000	\$ 50,143
2019	-	1,000,000	40,114
2020	-	1,000,000	30,086
2021	-	1,000,000	20,057
2022	-	1,000,000	10,029
	<u>\$ 155,279</u>	<u>\$ 5,000,000</u>	<u>\$ 150,429</u>

**9. 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 (Note 10), real estate support, information technology support, central mail, parking services, and other administrative support expenditures as necessary.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**9. Related Party Transactions (Continued)**

During the year ended June 30, 2017, the Authority paid \$2,732,625 for such County services as follows:

Service	Amount
Contractual labor and benefits	\$ 1,987,657
Real estate services	492,150
Office space rental	198,595
Information technology	26,636
Other administrative support	27,587
	\$ 2,732,625

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 \$867,639 to the District under this agreement.

As disclosed in Note 8, the Authority and the County of Riverside entered into a loan agreement in the amount of \$5,000,000. The loan will be repaid in ten years with variable interest rate equal to the Riverside County Investment Treasury Pool rate. During the year, the Authority paid interest of \$34,833 to the County.

**10. Operating Lease Obligations**

The Authority leases office facilities under an operating lease with the County of Riverside. The lease is for 10 years, effective fiscal year 2009. Pursuant to the terms of the lease agreement, 2% annual rent increase shall occur each July 1. Total cost for the lease was \$198,595 for the year-ended June 30, 2017.

The lease is to expire June 30, 2018. Accordingly, the Authority is committed to pay \$202,567 in operating leases for the year.

**11. Commitments and Contingencies**

As of June 30, 2017 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:

Fiscal Year	Land
2018	\$ 365,171
2019	75,593
2020	14,327,685
2021	100,000
Total	\$ 14,868,449

The Authority has entered into separate funding agreements with local governments and agencies to contribute \$9,000,000 toward the above land acquisition commitments.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**  
**Notes to Basic Financial Statements**

**11. 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.

**12. Pollution Remediation**

In prior years, a developer donated 4.57 acres of vacant land that partially overlaid a closed landfill called the Valle Vista Solid Waste Facility to the Authority. Heavy rain in December 2014 caused erosion to partially uncover remnants of the closed landfill. In July 2015, the Riverside County Department of Environmental Health Local Enforcement Agency issued a Notice and Order to Abate to the Authority. The Authority is working with the property donor to pay for the cost to remediate the site. As of June 30, 2017, and through the date of the report, there was insufficient information to develop an estimate of potential remediation costs attributable to the Authority.

**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, 2017, 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 events have been evaluated through November 3, 2017, which is the date of the basic financial statements were available to be issued. The following events occurred that would require disclosure:

- The Authority received a land donation of approximately 94 conservation acres with a market value of \$1,190,000.
- The Authority purchased two properties totaling 33 acres of conserved land with a value of \$320,108.

**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, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Infrastructure mitigation	\$ 573,270	\$ 573,270	\$ 675,636	\$ 102,366
Participating special entities	137,500	137,500	990,893	853,393
Landfill tipping fees	2,400,000	2,480,000	3,746,320	1,266,320
Interest	68,550	68,550	76,368	7,818
Joint project review	100,000	100,000	114,268	14,268
Miscellaneous revenue	106,180	106,180	90,673	(15,507)
Total revenues	<u>3,385,500</u>	<u>3,465,500</u>	<u>5,694,158</u>	<u>2,228,658</u>
<b>EXPENDITURES</b>				
General operations				
Current:				
Contractual labor	129,490	129,490	103,301	26,189
Services and supplies	356,170	356,170	246,870	109,300
Subtotal general operations	<u>485,660</u>	<u>485,660</u>	<u>350,171</u>	<u>135,489</u>
Management and monitoring				
Current:				
Contractual labor	520,050	520,050	451,864	68,186
Services and supplies	2,341,790	2,339,590	2,012,181	327,409
Taxes and assessments	38,000	40,200	40,137	63
Capital outlay	-	80,000	67,547	12,453
Subtotal management and monitoring	<u>2,899,840</u>	<u>2,979,840</u>	<u>2,571,729</u>	<u>408,111</u>
Total expenditures	<u>3,385,500</u>	<u>3,465,500</u>	<u>2,921,900</u>	<u>543,600</u>
Net change in fund balance	-	-	2,772,258	2,772,258
Fund balance beginning of the year	<u>18,530,106</u>	<u>18,530,106</u>	<u>18,530,106</u>	-
Fund balance end of year	<u>\$ 18,530,106</u>	<u>\$ 18,530,106</u>	<u>\$ 21,302,364</u>	<u>\$ 2,772,258</u>

*See accompanying notes to the required supplementary information.*

# **WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY**

## **Note to Required Supplementary Information**

**June 30, 2017**

### **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.

**AGENDA ITEM NO. 9**  
**Attachment 2**

**Single Audit Report**  
**for the year ended**  
**June 30, 2017**

**WESTERN RIVERSIDE COUNTY  
REGIONAL CONSERVATION AUTHORITY**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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## REPORTS



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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**

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### **STOCKTON OFFICE**

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SUITE 150  
STOCKTON, CA 95207  
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Board of Directors  
Western Riverside County Regional Conservation Authority  
Riverside, California

We have audited, in accordance with the 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, the financial statements of the Western Riverside County Regional Conservation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 3, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 3, 2017





# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

### **Report on Compliance for Each Major Federal Program**

We have audited Western Riverside County Regional Conservation Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 3, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures we 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 3, 2017

## **FINANCIAL STATEMENTS**

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity's Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of the Interior, Fish and Wildlife Services</b>				
Passed through the California Department of Fish and Wildlife, Wildlife Conservation Board				
Cooperative Endangered Species Conservation Fund	15.615	F12AP01141	\$ 2,610,500	\$ -
Cooperative Endangered Species Conservation Fund	15.615	F15AP00635	<u>797,950</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,408,450</u>	<u>\$ -</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of Federal award programs of the Western Riverside County Regional Conservation Authority (Authority). The Authority's reporting entity is defined in Note 1 of the Authority's financial statements. All federal awards received directly from Federal agencies as well as federal awards passed through from other government agencies are included on the SEFA.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying SEFA is presented using the modified accrual basis of accounting, which is described in Note 1 of the Authority's Financial Statements.

**NOTE 3 – RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying SEFA agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the SEFA and the federal financial reports.

Amounts reported in the accompanying SEFA agree, in all material respects, with the amounts reported in related federal financial reports.

**NOTE 4 – INDIRECT COST RATE**

The Authority did not charge any indirect costs to the program, accordingly, the Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **FINDINGS AND QUESTIONED COSTS**

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

1. **Summary of Auditor's Results**

***Financial Statements***

- (a) The type of report issued on the financial statements: **Unmodified opinion.**
- (b) Significant deficiencies in internal control that were disclosed by the audit of the financial statements: **None reported.**

Material weaknesses: **None.**

- (c) Noncompliance which is material to the financial statements: **None.**

***Federal Awards***

- (d) Significant deficiencies in internal control over major programs: **None.**

Material weaknesses: **None.**

- (e) The type of report issued on compliance for major programs:

1. Cooperative Endangered Species Conservation Fund – **Unmodified opinion.**

- (f) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance: **None.**

- (g) Major programs:

- U.S. Department of the Interior, Fish and Wildlife Service
  - Cooperative Endangered Species Conservation Fund (CFDA 15.615)

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**

- (h) Low-risk auditee determination under the Uniform Guidance: **Yes.**

2. **Findings Relating to Financial Statements Reported in Accordance with Government Auditing Standards**

None.

3. **Findings and Recommendations Relating to Federal Awards**

None

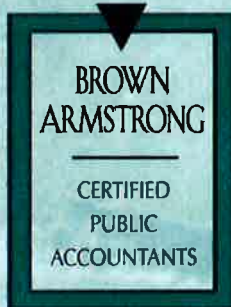
**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.



**AGENDA ITEM NO. 9**  
**Attachment 3**

**SAS 114 Report –**  
***The Auditors’***  
***Communication with***  
***Those Charged***  
***with Governance***



# BROWN ARMSTRONG

*Certified Public Accountants*

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

We have audited the financial statements of the governmental activities and each major fund of the Western Riverside County Regional Conservation Authority (the Authority) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current year: Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 79, *Certain External Investment Pools and Pool Participants*; Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimate in determining depreciation expense and valuation of capital assets. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate in determining the value of donated land. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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STOCKTON, CA 95207

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of Capital Assets and donated land in Note 1 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no such misstatements during our audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 3, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 3, 2017

# **AGENDA ITEM NO. 10**

## **PROPOSED 2018 RCA BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEETING SCHEDULE**

## ***Regional Conservation Authority***

**PROPOSED 2018  
RCA BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE  
MEETING SCHEDULE**

**Staff Contact:**

**Rose Haro  
Administrative Manager  
(951) 955-2842**

**Background:**

The proposed 2018 schedule for the RCA Board of Directors and Executive Committee meetings follows the customary meeting schedule with the RCA Board of Directors meeting on the first Monday of each month and the Executive Committee on the third Wednesday of each month. When a Board meeting day falls on a holiday, the meeting day is scheduled for the following week.

The proposed meeting schedule shows August as a dark meeting month for the RCA Board and July as a dark meeting month for the Executive Committee.

Staff has reviewed the proposed RCA Board meeting schedule and board room availability with the County of Riverside Clerk of the Board and has received approval for the use of the board room on the proposed meeting dates. However, if the County of Riverside requires the use of the board room, the RCA Board meeting may need to be rescheduled.

**Staff Recommendations:**

That the RCA Executive Committee:

- 1) Recommend that the Board of Directors adopt the proposed 2018 meeting schedule of the RCA Board of Directors and Executive Committee; and
- 2) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**Attachment:**

Proposed 2018 Meeting Schedule of the RCA Board of Directors and Executive Committee

**AGENDA ITEM NO. 10**  
**Attachment**

*Proposed*  
**2018 Meeting Schedule**  
**of the RCA Board of Directors**  
**and Executive Committee**



## PROPOSED 2018 RCA BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEETING SCHEDULE

RCA BOARD OF DIRECTORS				EXECUTIVE COMMITTEE		
Month	Date	Time	Location	Date	Time	Location
January	Mon., Jan. 8 <i>*(Second Monday)</i>	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Jan. 17	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
February	Mon., Feb. 5	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Feb. 21	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
March	Mon., Mar. 5	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Mar. 21	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
April	Mon., Apr. 2	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Apr. 18	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
May	Mon., May 7	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., May 16	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
June	Mon., June 4	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., June 20	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
July	Mon., July 2	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	<b>D A R K</b>		<b>NO EXECUTIVE COMMITTEE MEETING</b>
August	<b>D A R K</b>		<b>NO RCA BOARD MEETING</b>	Wed., Aug. 15	12:00 p.m.	RCA Conference Room 3403 Tenth Street, Suite 320, Riverside, CA
September	Mon., Sept. 10 <i>*(Second Monday)</i>	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Sept. 19	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
October	Mon., Oct. 1	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Oct. 17	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
November	Mon., Nov. 5	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Nov. 21	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA
December	Mon., Dec. 3	12:30 p.m.	CAC, Board Room, First Floor, 4080 Lemon Street, Riverside, CA	Wed., Dec. 19	12:00 p.m.	RCA Conference Room, 3403 Tenth Street, Suite 320, Riverside, CA

\* Meetings scheduled for the second (2<sup>nd</sup>) Monday due to the New Year's Day and Labor Day holidays.

# **AGENDA ITEM NO. 11**

**ELECTION OF  
2018 RCA OFFICERS AND  
TWO MEMBERS OF THE  
RCA EXECUTIVE COMMITTEE**



**ELECTION OF 2018 RCA OFFICERS AND TWO MEMBERS OF  
THE RCA EXECUTIVE COMMITTEE**

**Staff Contact:**

**Steve DeBaun, General Counsel  
(951) 686-1450**

**Background:**

In 2016, the RCA Board of Directors amended its bylaws with regard to the election of the officers and appointment of the RCA Executive Committee.

Under the bylaws, at the December meeting of the Board, the RCA Board of Directors are asked to elect the Chairperson and Vice Chairperson and appoint two members of the RCA Executive Committee for 2018. At its meeting in January, the Board will be asked to ratify the Chairman's appointments to the Executive Committee.

Any member of the RCA Board of Directors may nominate any regular member for these positions. Following a vote, the person receiving the majority of votes for any of the offices shall be deemed to have been elected.

**Staff Recommendations:**

That the RCA Executive Committee:

- 1) Recommend that the RCA Board of Directors hold an election for Chairman and Vice-Chairman for 2018;
- 2) Recommend that the RCA Board of Directors hold an election for two members of the RCA Executive Committee for 2018; and
- 3) Authorize staff to agendize this matter for the December 4, 2017 meeting of the RCA Board of Directors.

**Attachment:**

List of 2017 RCA Board of Directors and 2017 Executive Committee

**AGENDA ITEM NO. 11**  
**Attachment**

**List of 2017**  
**RCA Board of Directors and**  
**2017 Executive Committee**

## 2017 RCA BOARD OF DIRECTORS

<b>Board Member</b>	<b>Member Agency</b>	<b>Years of Service on RCA Board</b>
Daniela Andrade	City of Banning	9 months
Julio Martinez	City of Beaumont	11 months
Jeffrey Hewitt	City of Calimesa	5
Larry Greene	City of Canyon Lake	4 months
Eugene Montanez	City of Corona	14
Clint Lorimore	City of Eastvale	3
Michael Perciful	City of Hemet	11 months
Verne Lauritzen	City of Jurupa Valley	7
Natasha Johnson	City of Lake Elsinore	5
Matt Liesemeyer	City of Menifee	3
Jeffrey Giba	City of Moreno Valley	11 months
Jonathan Ingram	City of Murrieta	3
Kevin Bash	City of Norco	8
David Starr Rabb	City of Perris	3
Andy Melendrez	City of Riverside	7
Crystal Ruiz	City of San Jacinto	2
Maryann Edwards	City of Temecula	11
Timothy Walker	City of Wildomar	11 months
Kevin Jeffries	County District I	5
John Tavaglione	County District II	14
Chuck Washington	County District III	14
V. Manuel Perez	County District IV	6 months
Marion Ashley	County District V	14

## 2017 RCA EXECUTIVE COMMITTEE

Marion Ashley	County District V	Chairman
Jonathan Ingram	City of Murrieta	Vice Chairman
Eugene Montanez	City of Corona	Past Chairman
Jeffrey Hewitt	City of Calimesa	
Natasha Johnson	City of Lake Elsinore	
Maryann Edwards	City of Temecula	
John Tavaglione	County District II	

## 2017 RCA - Commonly Used Acronyms

ARL	Additional Reserve Lands
BUOW	Burrowing Owl
CALFIRE	California Department of Forestry and Fire Protection
CALTRANS	California Department of Transportation
CD	Consistency Determination
CDFG	California Department of Fish and Game
CDFW	California Department of Fish and Wildlife ( <i>formerly CDFG</i> )
CEQA	California Environmental Quality Act
CETAP	Community and Environmental Transportation Acceptability Process
CHD	Critical Habitat Designation
CIP	Capital Improvement Program
CNLM	Center for Natural Lands Management
EMWD	Eastern Municipal Water District
EPD	Environmental Programs Department ( <i>Riverside County</i> )
ERP	Expedited Review Process
FY	Fiscal Year
HANS	Habitat Evaluation and Acquisition Negotiation Strategy
HMU	Habitat Management Unit
IC	Interchange
JPR	Joint Project Review
LDMF	Local Development Mitigation Fee
MOU	Memorandum of Understanding
MSHCP	Multiple Species Habitat Conservation Plan
OHV	Off-Highway Vehicle
PCL	Proposed Constrained Linkage
PQP	Public/Quasi-Public
PSE	Participating Special Entities
RCA	Regional Conservation Authority
RCD	Resource Conservation Districts
RCRCD	Riverside-Corona Resource Conservation District
RCOE	Riverside County Office of Education
RCTC	Riverside County Transportation Commission
RCTD	Riverside County Transportation Department
RMOC	Reserve Management Oversight Committee
ROVE	Recreation Off-Highway Vehicle Enforcement
SAWA	Santa Ana Watershed Association
SB	San Bernardino
SR	State Route
SWG	State Wildlife Grant
TAC	Technical Advisory Committee
TIFIA	Transportation Infrastructure Finance and Innovation Act
TUMF	Transportation Uniform Mitigation Fee
USFWS	United States Fish and Wildlife Service
UTM Nad 83 Zone 11	Meter Coordinate System for Maps
WIFIA	Water Infrastructure Finance and Innovation Act
WIIN	Water Infrastructure Improvements for the Nation
WA	Wildlife Agencies ( <i>USFWS &amp; CDFW</i> )
WCB	Wildlife Conservation Board
WPT	Western Pond Turtle
WRDA	Water Resources Development Act