

**WESTERN RIVERSIDE COUNTY
REGIONAL CONSERVATION AUTHORITY**

**BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Western Riverside County Regional Conservation Authority (the Authority) as of, and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the required supplementary information on pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vavrinch, Train, Day & Co., LLP

Riverside, California
November 7, 2012

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2012

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, 2012. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- This is the eighth full year of operations; the Authority was established in January 2004.
- The Authority's net assets increased by \$21.7 million primarily as a result of acquiring approximately 1,909.6 acres of conserved land which were funded by land donations, federal and state grants and MSHCP developer mitigation fees.
- Total revenues increased by \$10.7 million, largely as a result of donated land to the Authority with a fair market value of \$12.3 million.

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 assets* includes all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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 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

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Management's Discussion and Analysis

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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 14-16 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 17-31 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. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's progress in funding its obligation to provide OPEB benefits to its staff. Required supplementary information can be found on page 32-35.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$315.7 million at the close of the most recent fiscal year.

Net Assets

	June 30,		
	2012	2011	Change
Assets			
Capital assets	\$ 306,484,175	\$ 280,312,472	\$ 26,171,703
Other assets	18,711,323	15,015,883	3,695,440
Total assets	325,195,498	295,328,355	29,867,143
Liabilities			
Other liabilities	3,551,444	423,882	3,127,562
Long-term liabilities	5,951,861	918,836	5,033,025
Total liabilities	9,503,305	1,342,718	8,160,587
Net assets			
Invested in capital assets, net of related debt	301,328,896	280,157,193	21,171,703
Restricted	4,685,330	4,438,021	247,309
Unrestricted	9,677,967	9,390,423	287,544
Total net assets	\$ 315,692,193	\$ 293,985,637	\$ 21,706,556

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

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- By far the largest portion of the Authority's net assets \$301.3 million, or 95.4%, reflects its investments in capital assets (i.e., land, buildings and equipment), less any related debt used to acquire those assets that are still outstanding. Capital assets increased during the current year by \$26.1 million consisting of \$10.6 million in purchased capital assets, \$3.1 million in federal and state grants to acquire land and \$12.6 million in contributed land and easement.
- Restricted net assets represent resources subject to external restrictions on how they can be used. It represents 1.5% of the Authority's net assets. Restricted net assets of \$4.6 million consist primarily of mitigation contributions from various member agencies and external donor contributions toward an endowment fund. The balance increased by \$247.3 thousand in the current year.
- Unrestricted net assets represent the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets of \$9.6 million represent 3.1% of the Authority's net assets. Unrestricted net assets increased by \$287.5 thousand from prior year as a result of steady inflow of unrestricted funding from landfill tipping fees, civic project and infrastructure revenues while reducing operational expenditures paid for with unrestricted resources.

The Authority's total program and general revenues were \$24.9 million, while the total cost of all programs was \$5.2 million. Total revenues increased by 75.3% whereas the total cost of all programs decreased by 10%. Key elements of these changes are as follows:

Changes in Net Assets

	For the Years Ended June 30,		
	2012	2011	Change
Revenues			
Program revenues:			
Charges for services	\$ 31,063	\$ 38,932	\$ (7,869)
Operating grants/contributions	3,509,775	3,531,796	(22,021)
Capital grants/contributions	21,248,097	10,389,365	10,858,732
General revenues			
earnings	42,998	13,424	29,574
Other general	66,262	228,954	(162,692)
Total Revenues	24,898,195	14,202,471	10,695,724
Expenses			
General operations	294,503	325,600	(31,097)
Management and monitoring	2,085,977	1,798,939	287,038
Land acquisition	2,814,133	3,647,024	(832,891)
Total expenses	5,194,613	5,771,563	(576,950)
Excess before permanent contributions	19,703,582	8,430,908	11,272,674
Contribution to permanent endowment	2,002,974	7,978	1,994,996
Increase in net assets	21,706,556	8,438,886	13,267,670
Net assets, beginning	293,985,637	285,546,751	8,438,886
Net assets, ending	\$ 315,692,193	\$ 293,985,637	\$ 21,706,556

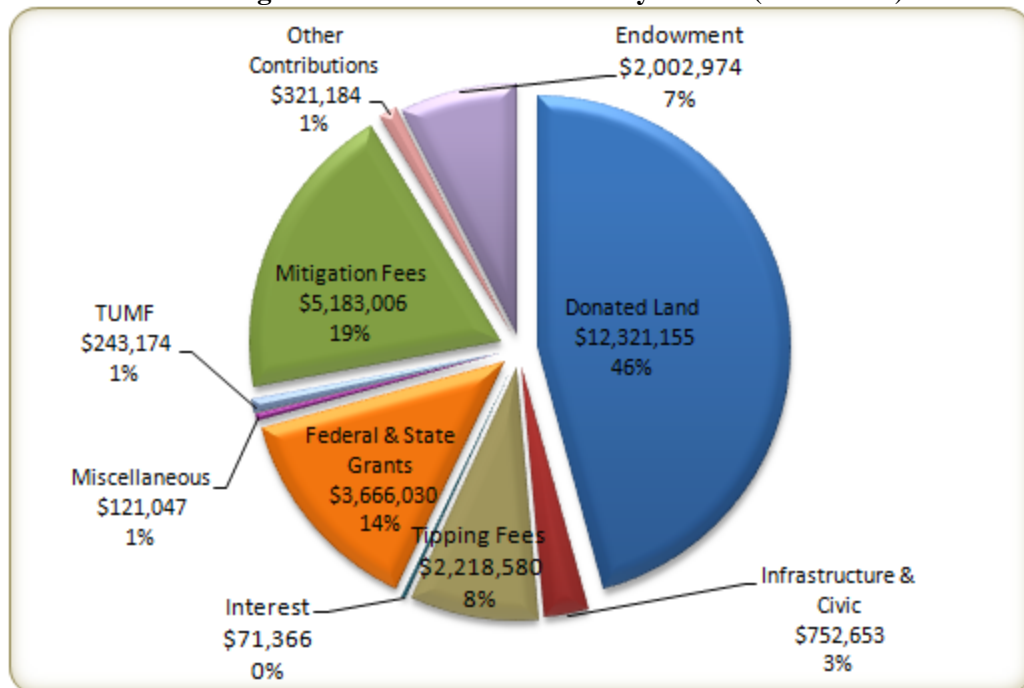
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Management's Discussion and Analysis

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- Charges for services consisting of joint project reviews decreased by 20% from \$38.9 thousand in fiscal year 2011 to \$31.1 thousand in fiscal year 2012. The decrease was caused by a decline in demand for reviews conducted by the Authority.
- Operating grants and contributions decreased by \$22.0 thousand, or 0.6% for the following reasons:
 - Landfill tipping fees decreased by 6.9%, or \$164.8 thousand, from \$2.38 million in fiscal year 2011 to \$2.22 million in fiscal year 2012.
 - Civic and infrastructure contributions from member agencies dropped by approximately \$276.2 thousand, as a result of fewer public projects initiated by local agencies.
 - The above decreases were offset by an increase of \$428.9 thousand in operating federal funds. The funds were provided to support management and monitoring programs during fiscal year 2012.
- Capital grants and contributions increased by \$10.9 million, or 104.5% as a result of the following:
 - Increase in donated land of \$11.8 million from prior year. In fiscal year 2012, the Authority received eleven donated properties and easements from various donors with a fair market value of \$12.3 million. In fiscal year 2011, the Authority only received five properties with a fair market value of \$460.9 thousand.
 - This increase was offset by \$1.1 million decrease in mitigation fee contributions from \$6.3 million in fiscal year 2011 to \$5.2 million in fiscal year 2012. The decrease is mainly attributable to a decline in commercial construction permits issued by member agencies as a result of the current economy. Residential permits issued by member agencies remained consistent with prior year.
 - Federal and State grants remained consistent with prior year, with a slight increase of 2.6% or \$77.4 thousand over prior year. In 2012, the Authority received \$3.1 million in Federal and State grants to acquire four properties compared to \$3.0 million received in 2012 to acquire three properties.

Total Program and General Revenues by Source (full accrual)



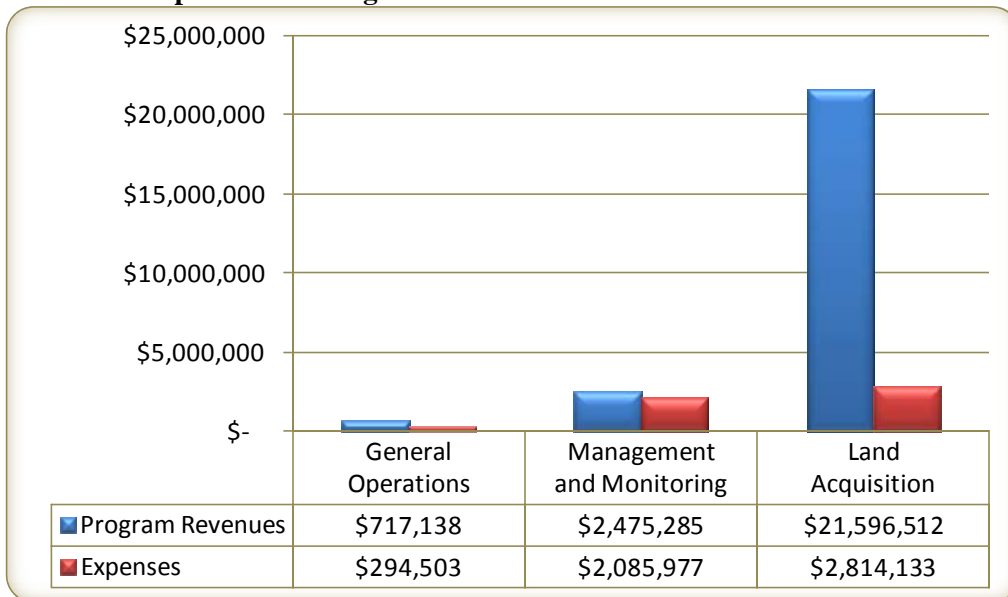
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June 30, 2012

- General operations expenses decreased by \$31.1 thousand, or 9.7%. The decrease was attributable to a drop in contractual services from various vendors.
- Management and monitoring expenses increased by \$287.0 thousand, or 16%. The increase was primarily caused by an increase in contractual services for the monitoring program. This increase was funded with federal grants during the current year.
- Land acquisition expenses decreased by \$832.9 thousand, or 22.8%. The decrease was caused by the following:
 - \$145.0 thousand in savings in contractual services from various professional services.
 - In fiscal year 2011 a settlement payment of approximately \$600 thousand was agreed upon by the Authority. No settlements were paid out in the 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 \$15.1 million, an increase of \$586.9 thousand in comparison with the prior year. Approximately 64.7% or \$9.7 million is unassigned, which is available for spending at the Authority’s discretion. About \$2.8 million or 18.3% is nonspendable from permanent endowment contributions. An additional \$2.5 million, or 16.9% constitutes restricted fund balance for land acquisition and management and monitoring programs as outlined in Note 5 to the basic financial statements. The remaining \$15.0 thousand or .10% is assigned fund balance by the Authority’s management for the management and monitoring program.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

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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 \$9.7 million, while restricted fund balance was \$80.9 thousand for 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 400.2% of total General Fund expenditures, while total fund balance represents approximately 403.5% of that same amount.

The Capital Project Fund had a \$2.3 million decrease in fund balance during the current fiscal year from \$4.7 million in fiscal year 2011 to \$2.4 million in the current year. The decrease was caused by land acquired in the current year in excess of revenue proceeds restricted for capital purposes. The fund balance of \$2.4 million is restricted by external contributors for land acquisition and related costs.

Fund balance in the Permanent Fund increased from \$826.3 thousand to \$2.8 million. The increase resulted from a \$2.0 million permanent endowment contribution from a local government. Interest earned on the endowment is to be used to manage a 462 acre conservation easement contributed to the Authority by the local government.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the original budgeted revenues and appropriations were decreased by \$163,800. The decrease resulted from the transfer of all mitigation fee revenues to the Capital Projects Funds with no allocation to the General Fund. Budgeted professional services were reduced by the same in the General Fund.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

- Infrastructure mitigation contributions exceeded the budget by \$325.3 thousand. During the budget process, the Authority prepared a conservative revenue budget. However, local projects from member agencies exceeded the Authority's expectations for the year.
- Landfill tipping fees exceeded the budget by \$218.6 thousand. The actual volume of landfill tonnage exceeded the Authority's expectations for the year.
- There were no significant shortfalls in budgeted revenues in the current year.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances, with one exception. Actual expenditures for services and supplies were well under the budget by approximately \$97.2 thousand and \$130.9 thousand for general operations and the management and monitoring units, respectively. The budget savings were achieved in contractual professional services for both budgetary units.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2012

Capital Assets and Debt Administration

The Authority's investment in capital assets for its governmental funds as of June 30, 2012 amounts to \$306.5 million. This investment in capital assets includes land, buildings, improvements, and equipment. The total increase in the Authority's assets was 8.5%.

Capital Assets

	June 30,	
	2012	2011
Land	\$ 301,411,912	\$ 275,239,424
Deposits on land	500,000	1,200,000
Land acquisition in process	605,876	743,148
Conservation easements	2,591,754	1,789,242
Construction in progress	-	59,566
Buildings	956,938	956,938
Land improvements	559,030	479,203
Equipment and software	177,557	108,724
Total capital assets	306,803,067	280,576,245
Less accumulated depreciation	(318,892)	(263,773)
Total capital assets, net	\$ 306,484,175	\$ 280,312,472

During the year, the Authority acquired six new conservation easements and 15 new properties with a combined total 1,909.6 acres as follows:

- Donation of five land parcels with approximately 356.7 acres and a combined fair market value of \$11.6 million.
- Donation of six conservation easements with approximately 470.6 acres and a combined fair market value of \$694 thousand.
- Federal and State grant funds of \$3.1 million were used to acquire four properties with an approximately 778.9 acres.
- The City of Temecula provided \$289.0 thousand for acquisition of two properties totaling 24.0 acres.
- Additionally, the Authority acquired four properties totaling 279.4 acres. Those properties were acquired using a combination of funds as follows: \$250.0 thousand in Transportation Uniform Mitigation Funds (TUMF), \$5,000,000 loan issuance, and \$4.6 million in developer mitigation funds.

Additionally, the Authority acquired two vehicles in the current year. The vehicles will be used to support the activities of the monitoring program. Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

Long-term Debt

During the current year, the Authority issued \$5.0 million in notes payable to the County of Riverside. The proceeds of the note were used to fund certain land acquisitions. In addition to the new loan, the Authority has an existing installment sale loan from a private seller for \$155.3 thousand. For additional information regarding long-term debt see Note 8.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2012

Economic Factors and Next Year's Budget and Rates

The Authority adopted the fiscal year 2013 annual budget on May 7, 2012. Over 84.5% of the Authority's appropriations for 2013 represent the land acquisition program, whereas general operations represents 2.7% and management and monitoring represents 12.8%. In an effort to ease the burden on developers and local governments during a troubled economy, fiscal year 2013 represents the fourth consecutive year that mitigation fees have not been increased by the consumer price index. In preparing the 2013 budget, a conservative estimate of approximately 47% reduction in total revenues was estimated, whereas appropriations were budgeted at a 53.4% reduction from fiscal year 2012.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Statement of Net Assets

June 30, 2012

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 14,457,015
Accounts receivable, net (Note 3)	1,311,122
Interest receivable	7,621
Net OPEB asset (Note 9)	21,000
Restricted cash and investments (Note 2)	2,914,565
Capital assets (Note 4):	
Depreciable, net	1,374,633
Nondepreciable	305,109,542
Total assets	<u>325,195,498</u>
LIABILITIES	
Current liabilities:	
Accounts payable	482,266
Salaries and benefits payable	80,661
Customer deposits	1,250
Deferred revenue (Note 7)	2,975,559
Accrued interest payable	11,708
Long-term liabilities (Note 8):	
Due within one year	258,331
Due after one year	5,693,530
Total liabilities	<u>9,503,305</u>
NET ASSETS (Note 5)	
Invested in capital assets, net of related debt	301,328,896
Restricted:	
Management and monitoring	140,403
Land acquisition	1,783,926
Nonexpendable	2,761,001
Unrestricted	9,677,967
Total net assets	<u>\$ 315,692,193</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General operations	\$ 294,503	\$ 31,063	\$ 686,075	\$ -	\$ 422,635
Management and monitoring	2,085,977		2,475,285		389,308
Land acquisition	2,814,133		348,415	21,248,097	18,782,379
Total governmental activities	<u>\$ 5,194,613</u>	<u>\$ 31,063</u>	<u>\$ 3,509,775</u>	<u>\$ 21,248,097</u>	<u>19,594,322</u>
General Revenues:					
Unrestricted investment earnings					42,998
Other revenue					66,262
Contributions to permanent endowment					2,002,974
Total general revenues and contributions					<u>2,112,234</u>
Change in net assets					21,706,556
Net assets beginning of year, restated (Note 16)					<u>293,985,637</u>
Net assets end of year					<u><u>\$ 315,692,193</u></u>

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Balance Sheet – Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
Assets				
Cash and investments (Note 2)	\$ 9,924,430	\$ 4,532,585	\$ -	\$ 14,457,015
Accounts receivable, net (Note 3)	311,840	999,282		1,311,122
Interest receivable	4,674	2,048	899	7,621
Restricted cash and investments(Note 2)	79,925		2,834,640	2,914,565
Total assets	<u>\$ 10,320,869</u>	<u>\$ 5,533,915</u>	<u>\$ 2,835,539</u>	<u>\$ 18,690,323</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 391,544	\$ 90,722	\$ -	\$ 482,266
Salaries and benefits payable	15,945	64,716		80,661
Customer deposits	1,250			1,250
Deferred revenue (Note 7)	90,740	2,970,499		3,061,239
Total liabilities	<u>499,479</u>	<u>3,125,937</u>	<u>-</u>	<u>3,625,416</u>
Fund balance (Note 5):				
Nonspendable			2,761,001	2,761,001
Restricted	80,865	2,407,978	59,538	2,548,381
Assigned			15,000	15,000
Unassigned	9,740,525			9,740,525
Total fund balance	<u>9,821,390</u>	<u>2,407,978</u>	<u>2,835,539</u>	<u>15,064,907</u>
Total liabilities and fund balances	<u>\$ 10,320,869</u>	<u>\$ 5,533,915</u>	<u>\$ 2,835,539</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	306,484,175
The net pension asset is not an available resource and, therefore, is not reported in the funds.	21,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	85,680
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(796,582)
Notes payable	(5,155,279)
Accrued interest payable	(11,708)
Net assets of governmental activities	<u>\$ 315,692,193</u>

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Permanent Fund	Total
Revenues				
Mitigation fees (Note 6)	\$ -	\$ 5,174,630	\$ -	\$ 5,174,630
Transportation uniform mitigation fee contributions	686,075	250,000		752,653
Landfill tipping fees	1,915,275	66,578		2,218,580
Federal and state grants	553,030	303,305		3,666,030
Interest	42,998	3,113,000	6,980	71,366
Joint project review	31,063			31,063
Other contributions		21,388		321,184
Miscellaneous revenue	66,262	321,184		89,984
Total revenues	<u>3,294,703</u>	<u>9,273,807</u>	<u>6,980</u>	<u>12,575,490</u>
Expenditures				
Current:				
General operations	288,967			288,967
Management and monitoring	2,083,331		670	2,084,001
Land acquisition		2,603,355		2,603,355
Capital outlay	61,758	13,953,416		14,015,174
Total expenditures	<u>2,434,056</u>	<u>16,556,771</u>	<u>670</u>	<u>18,991,497</u>
Excess (deficiency) of revenues over expenditures	860,647	(7,282,964)	6,310	(6,416,007)
Other Financing Sources (Uses)				
Contributions to permanent endowment			2,002,974	2,002,974
Proceeds from long-term notes		5,000,000		5,000,000
Total other financing sources and uses	<u>-</u>	<u>5,000,000</u>	<u>2,002,974</u>	<u>7,002,974</u>
Net change in fund balances	860,647	(2,282,964)	2,009,284	586,967
Fund balances beginning of the year, restated (Note 16)	8,960,743	4,690,942	826,255	14,477,940
Fund balances end of year	<u>\$ 9,821,390</u>	<u>\$ 2,407,978</u>	<u>\$ 2,835,539</u>	<u>\$ 15,064,907</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, 2012

Net change in fund balances - total governmental funds \$ 586,967

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

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

Expenditures for capital assets	14,015,174
Donated land	12,321,155
Less current year depreciation expense	(55,119)
Less loss on disposal of assets	(109,507)

Prepaid OPEB costs are expensed in the governmental funds when paid but are recognized as financial resources in the statement of net assets. 3,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,550

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Long-term notes issued current year. (5,000,000)

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 compensated absences	(44,956)
Accrued interest expense	(11,708)

Change in net assets of governmental activities	\$ 21,706,556
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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

June 30, 2012

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 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:

Jim Hyatt	Chairman	City of Calimesa
Marion Ashley	Vice Chairman	County of Riverside, 5 th District Supervisor
John Machisic	Member	City of Banning
Roger Berg	Member	City of Beaumont
Randy Bonner	Member	City of Canyon Lake
Eugene Montanez	Member	City of Corona
Adam Rush	Member	City of Eastvale
Linda Krupa	Member	City of Hemet
Verne Lauritzen	Member	City of Jurupa Valley
Melissa Melendez	Member	City of Lake Elsinore
Thomas Fuhrman	Member	City of Menifee
William Batey	Member	City of Moreno Valley
Alan Long	Member	City of Murrieta
Kevin Bash	Member	City of Norco
Mark Yarbrough	Member	City of Perris
Mike Gardner	Member	City of Riverside
Scott Miller	Member	City of San Jacinto
Maryann Edwards	Member	City of Temecula
Ben Benoit	Member	City of Wildomar
Bob Buster	Member	County of Riverside, 1 st District Supervisor
John Tavaglione	Member	County of Riverside, 2 nd District Supervisor
Jeff Stone	Member	County of Riverside, 3 rd District Supervisor
John Benoit	Member	County of Riverside, 4 th District Supervisor

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

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 compensated absences, 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 Project 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 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.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

1. Reporting Entity and Significant Accounting Policies (Continued)

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.

Capital Assets

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

Capital assets are stated at cost. Capital assets that have been donated are stated at their fair market 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 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	50 Years
Land Improvements	10 Years - 25 Years
Equipment	3 Years - 5 Years
Vehicles	6 Years
Website Development	15 Years

Compensated Absences

The employees working at the Authority are considered employees of the County. Compensated absences for contracted employees transferred from other County departments are absorbed by the Authority in the period of transfer. 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 reported as incurred in the government-wide fund financial statements. Governmental funds record amounts that are due and payable at year-end as a liability of the fund only if they have matured as a result of employee retirements or resignations. The liability for compensated absences includes salary-related benefits, where applicable.

Fund equity

In the fund financial statements, the governmental funds report nonspendable, restricted, committed, and assigned 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 formal action of the Board. Assigned fund balances comprise amounts intended to be used by the Authority for specific purposes as determined by the Board. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first and then unrestricted resources, as necessary. When unrestricted funds are available for the same purpose, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

1. Reporting Entity and Significant Accounting Policies (Continued)

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.

2. Cash and Investments

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

Cash and investments	\$14,457,015
Restricted cash and investments	<u>2,914,565</u>
Total Cash and investments	<u>\$17,371,580</u>

At June 30, 2012, cash and investments consisted of the following:

Riverside County Treasurer's Pooled Investment Fund	<u>\$17,371,580</u>
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Authorized Investments

The Authority is a voluntary participant in the Riverside County Treasurer's Pooled Investment Fund ("RCTPIF"). 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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>
U.S. Treasury	5 Years	100%
Federal Agencies	5 Years	100%
Public Agency Bonds	3 Years	15%
Local Agency Investment Fund (LAIF)	Daily Liquidity	\$50 million
Commercial Paper	270 Days	40%
Local Agency Obligations	3 Years	2.5%
CalTrust Short Term Fund	Daily Liquidity	1%
Certificate and Time Deposits	1 Year	25% Combined
Repurchase Agreements	45 Days	40% max / 25%
Reverse Repurchase Agreements	60 Days	10%
Medium Term Notes	3 Years	20%
Money Market Mutual Funds	Daily Liquidity	20%
Cash/Deposit Account	N/A	N/A

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

2. Cash and Investments (Continued)

The County 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 is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the County for the entire County portfolio. 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, 11th Floor, Riverside, California, 92501.

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	\$ 2,834,640
Burrowing owl habitat	<u>79,925</u>
Total cash and investments	<u>\$ 2,914,565</u>

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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from other governments:			
Mitigation fees	\$ -	\$ 1,495,177	\$ 1,495,177
Infrastructure mitigation	409,756		409,756
Transportation uniform mitigation fee		77,305	77,305
Federal and State grants	<u>239,834</u>		<u>239,834</u>
Subtotal	649,590	1,572,482	2,222,072
Due from other customers:			
Charges for services	7,207		7,207
Miscellaneous	<u>1,190</u>		<u>1,190</u>
Subtotal	8,397	-	8,397
Total receivable	657,987	1,572,482	2,230,469
Less allowance for uncollectible	<u>(346,147)</u>	<u>(573,200)</u>	<u>(919,347)</u>
Accounts receivable (net)	<u>\$ 311,840</u>	<u>\$ 999,282</u>	<u>\$ 1,311,122</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

3. Accounts Receivable (Continued)

An allowance for uncollectible accounts has been established for delinquent accounts greater than 90 days and collection deemed doubtful. In the General Fund, an allowance has been created in the amount of \$341,692 in outstanding infrastructure mitigation contributions from member agencies and \$4,455 allowance for outstanding charges for services. In the Capital Projects Fund, an allowance of \$573,200 has been established for outstanding mitigation fees from member agencies.

4. Capital Assets

Activity relating to capital assets is as follows:

	Balance June 30, 2011	Additions	Transfers	Deletions	Balance June 30, 2012
Nondepreciable assets					
Land - contributed	\$ 158,963,414	\$ 11,916,000	\$ 32,184	\$ -	\$ 170,911,598
Land - grants	21,293,152	3,113,000			24,406,152
Land - purchased	94,982,858	9,858,305	1,258,767	(5,768)	106,094,162
Deposits on land	1,200,000		(700,000)		500,000
Land - acquisition in progress	743,148	654,509	(692,158)	(99,623)	605,876
Conservation easements - contributed	1,294,900	694,155			1,989,055
Conservation easements - purchased	494,342	7,150	101,207		602,699
Construction in progress	59,566	17,158	(72,608)	(4,116)	-
Total nondepreciable assets	279,031,380	26,260,277	(72,608)	(109,507)	305,109,542
Depreciable assets					
Buildings - contributed	\$ 952,392				\$ 952,392
Buildings - purchased	4,546				4,546
Land improvements - contributed	58,000				58,000
Land improvements - purchased	421,203	7,219	72,608		501,030
Equipment	71,079	7,861			78,940
Vehicles	-	60,972			60,972
Website development	37,645				37,645
Subtotal depreciable assets	1,544,865	76,052	72,608	-	1,693,525
Accumulated depreciation	(263,773)	(55,119)			(318,892)
Net depreciable assets	1,281,092	20,933	72,608	-	1,374,633
Total capital assets, net	\$ 280,312,472	\$ 26,281,210	\$ -	\$ (109,507)	\$ 306,484,175

Deposits on land are for acquisitions in process for which the Authority did not hold title at June 30, 2012.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

4. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2012 is \$55,119. Depreciation expense was charged to governmental functions as follows:

General operations	\$ 1,341
Management and monitoring	1,976
Land acquisition	<u>51,802</u>
Total depreciation	<u>\$ 55,119</u>

During the current year, the Authority purchased various parcels of land. Federal, state and local governmental funding in the amount of \$1,400,850, \$1,712,150, and \$289,000 respectively, was received to assist in the purchase of these properties. Should the Authority decide to dispose of these properties, the grantor of the federal funds must approve the sale. The grantor will be reimbursed for the amount granted plus a percentage amount of any increase in the value of the property. The grantor may dictate other replacement property be purchased, or the property be transferred to a third party.

5. Fund Balance/Net Assets

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 fund, the permanently nonspendable fund balance of \$2,761,001 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 cost. In addition, external donor contributions have been received for improving burrowing owl habitat, monitoring of western pond turtles and fencing on specific property. Investment income earned on permanent funds of \$59,538 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 market value of investments of the endowment fund over the historical dollar value of the fund.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by 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 a formal Board action. As of June 30, 2012, the Authority had no committed fund balance.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

5. Fund Balance/Net Assets (Continued)

Assigned Fund Balance - Amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Authority's fund balance includes \$15,000 in assigned fund balance toward the Permanent Endowment Fund.

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

Fund Balance at June 30, 2012 is as follows:

Fund Balance:	General Fund	Capital Projects Fund	Permanent Fund	Total
Nonspendable				
Permanent endowment funds	\$ -	\$ -	\$ 2,761,001	\$ 2,761,001
Restricted				
Management and monitoring programs:				
Burrowing owls	79,966			79,966
Management endowment			59,538	59,538
Western pond turtles	899			899
Land acquisition programs				
Fencing		26,714		26,714
Land acquisition costs		2,381,264		2,381,264
Subtotal restricted	<u>80,865</u>	<u>2,407,978</u>	<u>59,538</u>	<u>2,548,381</u>
Assigned				
Management endowment			15,000	15,000
Unassigned	9,740,525			9,740,525
Total fund balance	<u>\$ 9,821,390</u>	<u>\$ 2,407,978</u>	<u>\$ 2,835,539</u>	<u>\$ 15,064,907</u>

Net assets

Net assets invested in capital assets, net of related debt, of \$301,328,896 represents the value of capital assets held at June 30, 2012, less the balance outstanding on the note payable used to acquire capital assets. Of the restricted net assets: \$140,403 is temporarily restricted for land and management programs such as improving burrowing owl habitat, monitoring of western pond turtles and management of certain acquired properties; \$1,783,926 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 \$2,761,001 is permanently restricted to accumulate funds to be used for land adaptive management at the end of a 25-year land acquisition period. Unrestricted net assets of \$9,677,967 represent funds available for general operations of the Authority.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

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, 2012:

<u>Member</u>	<u>Capital Projects Fund</u>
City of Banning	\$ 7,230
City of Beaumont	657,714
City of Calimesa	41,027
City of Canyon Lake	5,814
City of Corona	9,690
City of Eastvale	851,497
City of Hemet	97,836
City of Jurupa Valley	17,285
City of Lake Elsinore	59,237
City of Menifee	519,041
City of Moreno Valley	342,996
City of Murrieta	135,581
City of Norco	-
City of Perris	340,444
City of Riverside	471,220
City of San Jacinto	56,400
City of Temecula	492,719
City of Wildomar	54,264
County of Riverside	1,014,635
Total	<u>\$ 5,174,630</u>

7. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. In addition governmental funds defer revenue where receivables are not available to liquidate liabilities of the current period. Deferred revenue consisted of the following at June 30, 2012:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total Governmental Funds</u>
General Fund			
Operating contributions advanced	\$ 90,740	\$ -	\$ 90,740
Capital Projects Fund			
Infrastructure mitigation credit	2,872,073		2,872,073
Land acquisition contributions	12,746	77,304	90,050
Mitigation fees		8,376	8,376
Deferred revenue	<u>\$ 2,975,559</u>	<u>\$ 85,680</u>	<u>\$ 3,061,239</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

7. Deferred Revenue (Continued)

Infrastructure Mitigation Credit

During the current year, 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, 2012 is \$2,872,073.

8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	\$ 751,627	\$ 142,190	\$ (97,235)	\$ 796,582	\$ 103,052
Installment sale note	155,279			155,279	155,279
County of Riverside loan	-	5,000,000		5,000,000	-
Retention payable	11,930		(11,930)	-	-
Total long-term debt	\$ 918,836	\$ 5,142,190	\$ (109,165)	\$ 5,951,861	\$ 258,331

Installment Sale Note

At June 30, 2012, the Authority had one outstanding installment sale note for the acquisition of land from private sellers. The note is due on demand. The note is non-interest bearing. At inception the Authority recorded a discount on the note payable using an effective interest rate of 3.52 percent. The discount was amortized on a straight-line basis over the life of the note and was fully amortized at June 30, 2009. During the year ended June 30, 2012 no discounts were charged to interest expense. 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, 2012 is \$5,000,000. The average rate of the Riverside County Treasurer's Pooled Investment rate was 0.47% for January 2012 through June 2012.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

8. Long-Term Liabilities (Continued)

As of June 30, 2012, annual debt service requirements to maturity are as follows:

Year ending June 30	Installment	County of Riverside Loan	
	Sale Loan Principal	Principal	Interest
2013	\$ 155,279	\$ -	\$ 23,417
2014			23,417
2015			23,417
2016			23,417
2017			23,417
2018-2022		5,000,000	70,250
	<u>\$ 155,279</u>	<u>\$ 5,000,000</u>	<u>\$ 187,334</u>

9. Retirement Plan

The employees working at the Authority are considered employees of the County. The County employees participate in the County of Riverside’s defined benefit pension plan administered by the State of California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions which participate in this retirement plan. The Authority reimburses the County for pension plan costs.

Rates for the County’s contributions are set by the State, based upon annual experience of County members and on periodic actuarial valuations. The contribution rate for the Authority is established by CalPERS and the County of Riverside. For the fiscal year ended June 30, 2012, the Authority was required to contribute 16.33% to the County of Riverside for the plan.

Separate information is not available for the Authority as to the funding policy, annual pension cost, and required supplementary information related to funding progress and trend information. Refer to the County of Riverside’s basic financial statements for further information.

The Authority’s actual and required contributions to the County for the current year and two preceding years were as follows:

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
6/30/2012	\$ 256,575	100%
6/30/2011	\$ 268,696	100%
6/30/2010	\$ 259,274	100%

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

10. Other Postemployment Benefits

Plan Description

The Authority leases its employees from the County of Riverside (the "County"). Upon retirement, the leased County employees receive a monthly \$256 contribution toward the retiree's medical plan premium, for those retirees enrolled in a County sponsored medical plan. Benefit provisions are established and amended through negotiations between the County and respective unions.

The Authority has entered into an agent multiple-employer Other Postemployment Benefit ("OPEB") Plan administered by management of the Authority. The OPEB plan has been created with the California Employer's Retiree Benefit Trust Program ("CERBT"), which is administered by the California Public Employees' Retirement System ("CalPERS") Board. The Authority adopted Resolution 09-004 which created the benefit plan for OPEB. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California, 95814.

Funding Policy

It is the policy of the Authority to fully contribute 100% of the Annual Required Contribution (ARC). The CERBT was established through Government Code Section 22940 in the State Treasury which created the Annuitants' Health Care Coverage fund for the prefunding of health care coverage for annuitants (the "Plan"). The Authority's annual OPEB cost (expense) is calculated based on the ARC of the employer and amount actuarially determined in accordance with the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost was \$8,000, the Authority's actual contribution was \$11,000. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the entry age actuarial cost method. Annual covered payroll was \$1,104,632.

Annual required contribution	\$ 8,000
Interest on net pension obligation (asset)	(1,000)
Adjustment to annual required contribution	1,000
Annual pension cost	<u>8,000</u>
Contributions made	11,000
Increase(decrease) in net pension obligation (asset)	(3,000)
Net pension obligation (asset) beginning of year-restated	(18,000)
Net pension obligation (asset) end of year	<u><u>\$ (21,000)</u></u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

10. Other Postemployment Benefits (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for June 30, 2012 and the two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 8,000	\$ 11,000	138%	\$ (21,000)
6/30/2011	14,000	22,000	157%	(18,000)
6/30/2010	13,000	19,000	146%	(10,000)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 111,000
Actuarial value of plan assets	45,000
Unfunded actuarial accrued liability (UAAL)	<u>\$ 66,000</u>
Funded ratio (actuarial value of plan assets/AAL)	40.5%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 1,100,000
UAAL as a percentage of covered payroll	6.0%

The required schedule of funding progress immediately following the notes represents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial valuation is based on estimates that are likely to change over time. The relationship of the Plan asset and the accrued liability for OPEB benefits can be found in the information following the notes to the financial statements. Projections of benefits are based on the nature of benefits provided under the Plan at the time of the actuarial valuation and the pattern of the cost sharing between Authority and Plan members to that point. Actuarial calculations are long-term in nature, and techniques are used to reduce the short-term volatility of actuarial accrued liabilities and the actuarial valuation of assets. The actuarial cost method used is the entry age normal method. Under this method, the annual required contribution is equal to the normal cost plus the amortization of the unfunded actuarial accrued liability.

The following assumptions were used in the calculation of the OPEB liability: interest rate of return of 7.61%, projected salary increase of 3.25% and inflation rate of 3.0%. The amortization method used for the unfunded benefits was the level percentage of projected payroll over a 30-year open amortization period.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

11. Related Party Transactions

The Authority contracted with the County of Riverside for various services and office space rental included in professional services, rent, and administrative support expenditures. During the year ended June 30, 2012, the Authority spent \$1,181,252 as payment for such County services.

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.

12. 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 \$179,874 for the year-ended June 30, 2012. Future commitments under the operating leases agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 183,471
2014	187,141
2015	190,884
2016	194,701
2017	198,595
2018	202,567
	<u>\$ 1,157,359</u>

13. Commitments and Contingencies

As of June 30, 2012 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:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 3,934,000
2014	3,000,000
2015	3,000,000
2016	3,000,000
2017	3,000,000
2018-2022	25,151,531
Total	<u>\$ 41,085,531</u>

The Authority has entered into separate funding agreements with local governments and agencies to contribute \$24,322,000 toward these land acquisition commitments.

The Riverside County Regional Park and Open-Space District provided the Authority services for management of the Authority's reserve lands under a contract expiring January 31, 2031 which is cancelable with written notice of six months. Neither party has given notice.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2012

13. Commitments and Contingencies (Continued)

Various claims and litigation which arise in the performance of governmental activities involving the Authority are currently outstanding. Claims and litigation are inherently unpredictable; however, the Authority believes that it has valid defenses with respect to claims and legal matters pending against it. The outcome of these matters is not determinable at this time.

14. 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, auto liability, employee benefits liability, and employment practice liability program of SDRMA provides coverage up to \$10,000,000 per occurrence.

The employees at the Authority are considered to be 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, 2012, the Authority has no settlements exceeding insurance coverage. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the Authority.

15. Subsequent Events

Subsequent to June 30, 2012, the Authority acquired six properties with a value of \$1,395,318. Of this amount, \$457,000 was funded by local governments.

16. Restatements of Beginning Fund Balances/Net Assets

The Authority's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications. A summary of the restatements as of June 30, 2012 is as follows:

	Statement of Revenues, Expenditures and Changes in Fund Balance Capital Project Fund	Statement of Activities Governmental Activities
Fund Balance/Net Assets beginning of the year, as previously reported	\$ 4,728,442	\$ 294,011,137
Grants receivable overstated in prior year	(37,500)	(37,500)
Net OPEB asset understated in prior years		12,000
Net prior period adjustment	(37,500)	(25,500)
Fund balance/Net assets beginning of year, restated	\$ 4,690,942	\$ 293,985,637

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, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Mitigation fees	\$ 163,800	\$ -	\$ -	\$ -
Infrastructure mitigation contributions	360,739	360,739	686,075	325,336
Landfill tipping fees	1,696,695	1,696,695	1,915,275	218,580
Federal and state grants	556,255	556,255	553,030	(3,225)
Interest	3,000	3,000	42,998	39,998
Joint project review	40,000	40,000	31,063	(8,937)
Miscellaneous revenue	62,243	62,243	66,262	4,019
Total revenues	<u>2,882,732</u>	<u>2,718,932</u>	<u>3,294,703</u>	<u>575,771</u>
Expenditures				
General operations				
Current:				
Salaries and benefits	78,439	78,439	63,315	15,124
Services and supplies	486,741	322,941	225,652	97,289
Depreciation expense	982	982	1,341	(359)
Capital outlay	970	970	786	184
Subtotal general operations	<u>567,132</u>	<u>403,332</u>	<u>291,094</u>	<u>112,238</u>
Management and monitoring				
Current:				
Salaries and benefits	281,961	281,961	245,701	36,260
Services and supplies	1,960,121	1,968,621	1,837,630	130,991
Depreciation expense	1,149	1,149	1,976	(827)
Capital outlay	74,500	66,000	60,972	5,028
Subtotal management and monitoring	<u>2,317,731</u>	<u>2,317,731</u>	<u>2,146,279</u>	<u>171,452</u>
Total expenditures	<u>2,884,863</u>	<u>2,721,063</u>	<u>2,437,373</u>	<u>283,690</u>
Net change in fund balances	(2,131)	(2,131)	857,330	859,461
Fund balances beginning of the year, restated	8,960,743	8,960,743	8,960,743	-
Fund balances end of year	<u>\$ 8,958,612</u>	<u>\$ 8,958,612</u>	<u>\$ 9,818,073</u>	<u>\$ 859,461</u>
Budget-to-GAAP reconciliation of uses/outflows of resources:				
Total Expenditures as reported above			\$ 2,437,373	
The Authority budgets for depreciation expense by Unit which is inconsistent with modified accrual basis of accounting.			<u>(3,317)</u>	
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.			<u>\$ 2,434,056</u>	

See accompanying notes to the required supplementary information.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Required Supplementary Information

June 30, 2012

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.

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.

Budgets for the various budget units are adopted on a basis consistent with GAAP, except for depreciation expense, which is not consistent with modified accrual basis of accounting for governmental funds.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

**Other Postemployment Benefits
Schedule of Funding Progress**

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2008	\$ -	\$ 100,000	\$ 100,000	0.0%	\$ 1,112,000	9.0%
1/1/2009	12,000	126,000	114,000	9.5%	1,109,000	10.3%
7/1/2011	45,000	111,000	66,000	40.5%	1,100,000	6.0%