

**WESTERN RIVERSIDE COUNTY
REGIONAL CONSERVATION AUTHORITY**

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

**FOR THE YEAR ENDED
JUNE 30, 2013**

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INDEPENDENT AUDITORS' 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, 2013, 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.

Auditors' 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 of 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 entity'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 entity'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.

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, 2013, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. 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 on pages 3 through 9 and the required supplementary information on pages 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013, 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.



Riverside, California
November 7, 2013

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2013

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, 2013. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- This is the ninth full year of operations; the Authority was established in January 2004.
- The Authority's net position increased by \$14.8 million primarily as a result of acquiring approximately 849.8 acres of conserved land which were funded by Measure A funds, land donations, local governmental funds, and MSHCP local development mitigation fees.

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 11-12 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 governmental fund balance sheet and related statement of revenues,

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Management's Discussion and Analysis

June 30, 2013

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 13-16 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 17-30 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 32-34.

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 \$330.5 million at the close of the most recent fiscal year.

	Net Position		
	2013	June 30, 2012	Change
Assets			
Capital assets	\$ 315,159,897	\$ 306,484,175	\$ 8,675,722
Other assets	27,562,911	18,711,323	8,851,588
Total assets	342,722,808	325,195,498	17,527,310
Liabilities			
Other liabilities	6,427,079	3,551,444	2,875,635
Long-term liabilities	5,814,134	5,951,861	(137,727)
Total liabilities	12,241,213	9,503,305	2,737,908
Net position			
Net investments in capital assets	310,004,618	301,328,896	8,675,722
Restricted	7,204,310	4,685,330	2,518,980
Unrestricted	13,272,667	9,677,967	3,594,700
Total net position	\$ 330,481,595	\$ 315,692,193	\$ 14,789,402

- By far the largest portion of the Authority's net position \$310.0 million (93.8%), 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. The Authority acquired 849.8 acres of conserved land during the year resulting in a net increase of \$8.7 million to capital assets.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2013

- A portion of the Authority's net position, \$7.2 million (2.2%) represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$13.3 million (4.0%) is unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's total program and general revenues were \$19.8 million, while the total cost of all programs was approximately \$4.9 million. Total revenues decreased by 5.1 million (21%) whereas the total cost of all programs decreased by \$232.5 thousand (5%). Key elements of these changes are as follows:

Changes in Net Position

	For the Years Ended June 30,		
	2013	2012	Change
Revenues			
Program revenues:			
Charges for services	\$ 21,994	\$ 31,063	\$ (9,069)
Operating grants/contributions	6,237,582	3,509,775	2,727,807
Capital grants/contributions	13,450,286	21,248,097	(7,797,811)
General revenues			
Unrestricted investment	(17,603)	42,998	(60,601)
Other general	59,262	66,262	(7,000)
Total Revenues	19,751,521	24,898,195	(5,146,674)
Expenses			
General operations	499,705	294,503	205,202
Management and monitoring	2,073,139	2,085,977	(12,838)
Land acquisition	2,369,923	2,802,425	(432,502)
Interest	19,352	11,708	7,644
Total expenses	4,962,119	5,194,613	(232,494)
Excess before permanent contributions	14,789,402	19,703,582	(4,914,180)
Contribution to permanent endowment	-	2,002,974	(2,002,974)
Increase in net position	14,789,402	21,706,556	(6,917,154)
Net position, beginning	315,692,193	293,985,637	21,706,556
Net position, ending	\$ 330,481,595	\$ 315,692,193	\$ 14,789,402

- Charges for services consisting of joint project reviews decreased by 29% from \$31.1 thousand in fiscal year 2012 to \$22.0 thousand in fiscal year 2013. The decrease was caused by a decline in demand for reviews conducted by the Authority.
- Operating grants and contributions increased by \$2.7 million, or 78% for the following reasons:
 - \$3.5 million was received during the current year from the California Department of Water Resources as a participating special entity to receive MSHCP coverage on a project.
 - A decrease of \$548.7 thousand in operating federal funds. The funds were provided to support management and monitoring programs during fiscal year 2012.

Capital grants and contributions decreased by \$7.8 million, or 37% as a result of the following:

- Decrease in donated land of \$12.2 million from prior year. In fiscal year 2012, the Authority received eleven donated properties and easements from various donors with a fair value of \$12.3

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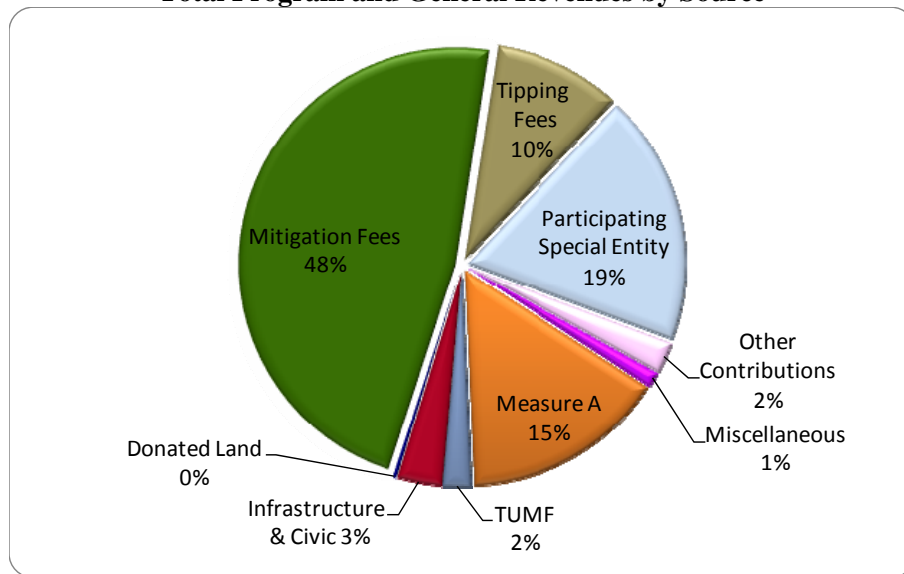
Management’s Discussion and Analysis

June 30, 2013

million. In fiscal year 2013, the Authority only received three properties donated with a fair value of \$56.1 thousand.

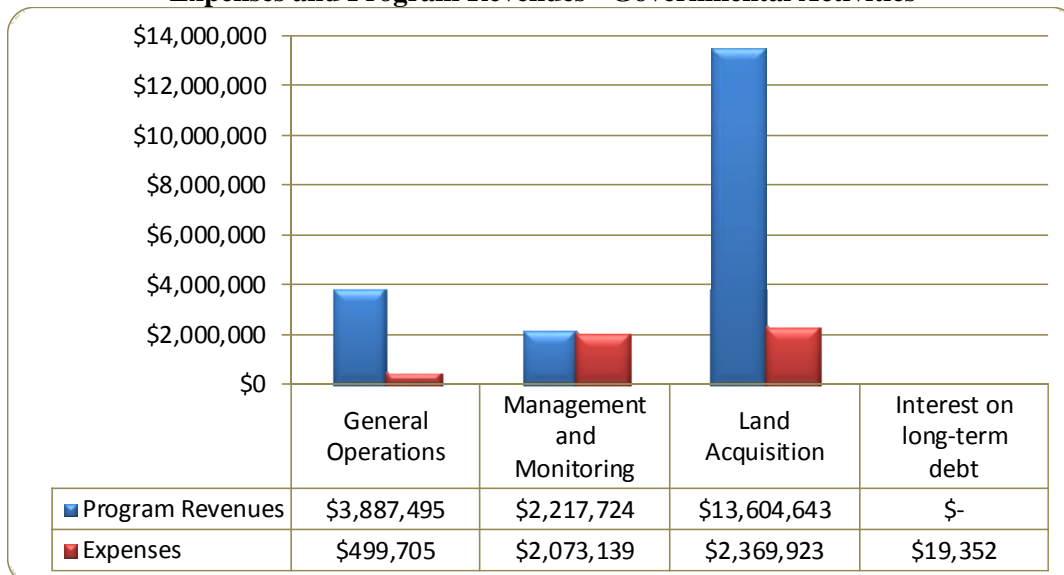
- Developer mitigation fees increased by \$4.2 million from \$5.2 million in fiscal year 2012 to \$9.4 million in the current fiscal year.

Total Program and General Revenues by Source



- General operations expenses increased by \$205.2 thousand. The increase was attributable to an increase in litigation costs.
- Management and monitoring expenses decreased by \$12.8 thousand as a result of contractual agreement savings.
- Land acquisition expenses decreased by \$432.5 thousand. The decrease was caused by a reduction of contractual and legal services.

Expenses and Program Revenues - Governmental Activities



WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

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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 \$24.0 million, an increase of \$8.9 million in comparison with the prior year. Approximately 54% or \$12.9 million is unassigned, which is available for spending at the Authority's discretion. About \$2.8 million or 12% is nonspendable from permanent endowment contributions. An additional \$7.9 million, or 33% constitutes restricted fund balance for land acquisition and management and monitoring programs as outlined in Note 5 to the basic financial statements. The remaining \$365.0 thousand or 1% is assigned fund balance by the Authority's management for the management and monitoring program.

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 \$12.9 million, while restricted fund balance was \$85.5 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 492% of total General Fund expenditures, while total fund balance represents approximately 496% of that same amount.

The Capital Project Fund had a \$5.4 million increase in fund balance during the current fiscal year from \$2.4 million in fiscal year 2012 to \$7.8 million in the current year. The increase was caused by an increase in developer mitigation fees contributions from member agencies. The fund balance of \$7.8 million is restricted by external contributors for land acquisition and related costs.

Fund balance in the Permanent Fund increased from \$2.8 million to \$3.2 million. The increase resulted from a \$350 thousand allocation of participating special entities fees toward the Authority's endowment funds.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the original budgeted revenues were increased by \$3.2 million while appropriations increased by \$150.0 thousand. Budgeted revenues were increased as a result of the \$3.5 million received from the California Department of Water Resources during the year. Appropriations were increased as a result of increased litigation costs during the year.

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

- Participating special entities exceed the budget by \$129.0 thousand as a result of agreements with other agencies.
- A shortfall of \$61.5 thousand in budgeted interest revenue resulted from a significant unrealized loss on fair market value of investments at year end which exceeded the actual interest revenue received. Interest rates from the County Treasury Investment Pool during the current year were approximately 0.39%.

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

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Management's Discussion and Analysis

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by approximately \$82.7 thousand and \$94.5 thousand for general operations and the management and monitoring units, respectively. The budget savings were achieved in contractual professional services for both budgetary units.

Capital Assets and Debt Administration

The Authority's investment in capital assets for its governmental funds as of June 30, 2013 amounts to \$315.2 million. This investment in capital assets includes land, buildings, improvements, and equipment. The total increase in the Authority's assets was 3%.

Capital Assets

	June 30,	
	2013	2012
Land	\$ 309,854,997	\$301,411,912
Land acquisition in process	1,299,896	1,105,876
Conservation easements	2,647,406	2,591,754
Construction in progress	4,204	-
Buildings	1,054,757	956,938
Land improvements	397,502	559,030
Equipment and software	282,382	177,557
Total capital assets	315,541,144	306,803,067
Less accumulated depreciation	(381,247)	(318,892)
Total capital assets, net	\$ 315,159,897	\$306,484,175

During the year, the Authority acquired two new conservation easements and 12 new properties with a combined total 849.8 acres as follows:

- Donation of one land parcel and two conservation easements with approximately 23.5 acres and a combined fair value of \$56.1 thousand.
- Acquired 73.4 acres with Measure A funds of \$3 million.
- The City of Temecula provided \$265.0 thousand for acquisition of two properties totaling 15.7 acres.
- The Nature Conservancy provided \$192.0 thousand for acquisition of two properties totaling 39.2 acres.
- As indicated in Note 7, the Authority received 309 acres from a corporation in exchange for future mitigation fee credits.
- Additionally, the Authority acquired five properties totaling 388.9 acres using mitigation fees.

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

The Authority's net compensated absences decreased by \$137.7 thousand as a result of retirement payouts. No additional activity occurred during the year in long-term debt. For additional information regarding long-term debt see Note 8.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2013

Economic Factors and Next Year's Budget and Rates

The Authority adopted the fiscal year 2014 annual budget on May 6, 2013. Over 85% of the Authority's appropriations for 2014 represent the land acquisition program, whereas general operations represents 3% and management and monitoring represents 12%. In an effort to ease the burden on developers and local governments during a troubled economy, fiscal year 2014 represents the fifth consecutive year that mitigation fees have not been increased by the consumer price index.

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Statement of Net Position

June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 23,600,897
Accounts receivable, net (Note 3)	1,061,501
Interest receivable	11,542
Net OPEB asset (Note 10)	29,000
Restricted cash and investments (Note 2)	2,859,971
Capital assets (Note 4):	
Depreciable, net	1,353,394
Nondepreciable	313,806,503
Total Assets	<u>342,722,808</u>
LIABILITIES	
Current liabilities:	
Accounts payable	244,133
Salaries and benefits payable	79,741
Customer deposits	1,000
Unearned revenues (Note 7)	6,092,812
Accrued interest payable	9,393
Long-term liabilities (Note 8):	
Due within one year	261,094
Due after one year	5,553,040
Total Liabilities	<u>12,241,213</u>
NET POSITION (Note 5)	
Net investment in capital assets	310,004,618
Restricted for:	
Management and monitoring:	
Expendable	134,345
Nonexpendable	2,761,001
Land acquisition	4,308,964
Unrestricted	13,272,667
Total Net Position	<u>\$ 330,481,595</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, 2013

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	\$ 499,705	\$ 21,994	\$ 3,865,501	\$ -	\$ 3,387,790
Management and monitoring	2,073,139		2,217,724		144,585
Land acquisition	2,369,923		154,357	13,450,286	11,234,720
Interest	19,352				(19,352)
Total governmental activities	<u>\$ 4,962,119</u>	<u>\$ 21,994</u>	<u>\$ 6,237,582</u>	<u>\$ 13,450,286</u>	<u>14,747,743</u>
General Revenues:					
					(17,603)
					59,262
					<u>41,659</u>
					14,789,402
					<u>315,692,193</u>
					<u>\$ 330,481,595</u>

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Balance Sheet – Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
ASSETS				
Cash and investments (Note 2)	\$ 13,118,433	\$ 10,077,222	\$ 405,242	\$ 23,600,897
Accounts receivable, net (Note 3)	63,700	997,801		1,061,501
Interest receivable	5,107	4,989	1,446	11,542
Restricted cash and investments(Note 2)	91,818		2,768,153	2,859,971
Total assets	<u>\$ 13,279,058</u>	<u>\$ 11,080,012</u>	<u>\$ 3,174,841</u>	<u>\$ 27,533,911</u>
LIABILITIES				
Accounts payable	\$ 121,847	\$ 122,286	\$ -	\$ 244,133
Salaries and benefits payable	21,464	58,277		79,741
Customer deposits	1,000			1,000
Unearned revenue (Note 7)	78,589	2,864,223		2,942,812
Total liabilities	<u>222,900</u>	<u>3,044,786</u>	<u>-</u>	<u>3,267,686</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 7)		238,454		238,454
Total deferred inflows of resources	<u>-</u>	<u>238,454</u>	<u>-</u>	<u>238,454</u>
FUND BALANCES (Note 5):				
Nonspendable			2,761,001	2,761,001
Restricted	85,505	7,796,772	48,840	7,931,117
Assigned			365,000	365,000
Unassigned	12,970,653			12,970,653
Total fund balances	<u>13,056,158</u>	<u>7,796,772</u>	<u>3,174,841</u>	<u>24,027,771</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,279,058</u>	<u>\$ 11,080,012</u>	<u>\$ 3,174,841</u>	<u>\$ 27,533,911</u>

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, 2013

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

Total fund balances - governmental funds	\$ 24,027,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	315,159,897
The net pension asset is not an available resource and, therefore, is not reported in the funds.	29,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	238,454
Unearned mitigation revenues exchanged for land, not reported in the funds.	(3,150,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(658,855)
Notes payable	(5,155,279)
Accrued interest payable	(9,393)
Net position of governmental activities	<u>\$ 330,481,595</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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
REVENUES				
Mitigation fees (Note 6)	\$ -	\$ 9,385,012	\$ -	\$ 9,385,012
Measure A		3,000,000		3,000,000
Transportation uniform mitigation fee		250,000		250,000
Infrastructure mitigation contributions	506,576	149,400		655,976
Participating special entities	3,358,925		350,000	3,708,925
Landfill tipping fees	1,866,544			1,866,544
Federal grants	4,282			4,282
Interest	(17,603)	(4,631)	(3,102)	(25,336)
Joint project review	21,994			21,994
Other contributions		457,000		457,000
Miscellaneous revenue	125,855	158,988		284,843
Total revenues	<u>5,866,573</u>	<u>13,395,769</u>	<u>346,898</u>	<u>19,609,240</u>
EXPENDITURES				
Current:				
General operations	512,812			512,812
Management and monitoring	2,048,439		7,596	2,056,035
Land acquisition		2,384,272		2,384,272
Debt Service:				
Interest		21,667		21,667
Capital outlay	70,554	5,601,036		5,671,590
Total expenditures	<u>2,631,805</u>	<u>8,006,975</u>	<u>7,596</u>	<u>10,646,376</u>
Net change in fund balances	3,234,768	5,388,794	339,302	8,962,864
Fund balances beginning of the year	<u>9,821,390</u>	<u>2,407,978</u>	<u>2,835,539</u>	<u>15,064,907</u>
Fund balances end of year	<u>\$ 13,056,158</u>	<u>\$ 7,796,772</u>	<u>\$ 3,174,841</u>	<u>\$ 24,027,771</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, 2013

Net change in fund balances - total governmental funds \$ 8,962,864

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	5,671,590
Donated land	56,100
Less current year depreciation expense	(72,159)
Less loss on disposal of assets	(129,809)

Increase in net OPEB asset is expensed in the governmental funds when paid but is recognized as financial resources in the statement of net position. 8,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 152,774

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	137,727
Change in accrued interest payable	2,315
Change in net position of governmental activities	\$ 14,789,402

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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 th District Supervisor
Scott Miller	Vice Chairman	City of San Jacinto
Debbie Franklin	Member	City of Banning
Roger Berg	Member	City of Beaumont
Jim Hyatt	Member	City of Calimesa
Tim Brown	Member	City of Canyon Lake
Eugene Montanez	Member	City of Corona
Adam Rush	Member	City of Eastvale
Shellie Milne	Member	City of Hemet
Verne Lauritzen	Member	City of Jurupa Valley
Natasha Johnson	Member	City of Lake Elsinore
Thomas Fuhrman	Member	City of Menifee
Jesse Molina	Member	City of Moreno Valley
Harry Ramos	Member	City of Murrieta
Kevin Bash	Member	City of Norco
Mark Yarbrough	Member	City of Perris
Mike Gardner	Member	City of Riverside
Maryann Edwards	Member	City of Temecula
Ben Benoit	Member	City of Wildomar
Kevin Jeffries	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, 2013

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, 2013

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 position 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 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 - 25 Years
Equipment	3 - 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 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, 2013

1. Reporting Entity and Significant Accounting Policies (Continued)

Deferred Inflow of Resources

In 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and their effects on the Authority's net position. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as 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 that 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 from transportation uniform mitigation fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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	\$23,600,897
Restricted cash and investments	<u>2,859,971</u>
Total Cash and investments	<u>\$26,460,868</u>

At June 30, 2013, cash and investments consisted of the following:

Riverside County Treasurer's Pooled Investment Fund	<u>\$26,460,868</u>
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Pooled cash held for land adaptive management and the improvement of burrowing owl habitat is reported as restricted cash and investments:

Cash restricted for:	
Land adaptive management endowment	\$ 2,768,153
Burrowing owl habitat	<u>91,818</u>
Total cash and investments	<u>\$ 2,859,971</u>

The Authority is a voluntary participant in the Riverside County Treasurer's Pooled Investment Fund. The Authority has adopted the Riverside County Statement of Investment Policy.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

2. Cash and Investments (Continued)

Authorized Investments (Continued)

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
U.S. Treasury	5 Years	100%
Federal Agencies	5 Years	100%
Municipal 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

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.

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	\$ -	\$ 1,224,963	\$ 1,224,963
Infrastructure mitigation	331,827		331,827
Transportation uniform mitigation fee		338,454	338,454
Subtotal	331,827	1,563,417	1,895,244
Due from other customers:			
Charges for services	3,700		3,700
Total receivable	335,527	1,563,417	1,898,944
Less allowance for uncollectible	(271,827)	(565,616)	(837,443)
Accounts receivable (net)	<u>\$ 63,700</u>	<u>\$ 997,801</u>	<u>\$ 1,061,501</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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 \$270,630 in outstanding infrastructure mitigation contributions from member agencies and \$1,197 allowance for outstanding charges for services. In the Capital Projects Fund, an allowance of \$565,616 has been established for outstanding mitigation fees from member agencies.

4. Capital Assets

Activity relating to capital assets is as follows:

	Balance June 30, 2012	Additions	Transfers	Deletions	Balance June 30, 2013
Nondepreciable assets					
Land - contributed	\$ 170,911,598	\$ 3,485,000	\$ -	\$ -	\$174,396,598
Land - grants	24,406,152				24,406,152
Land - purchased	106,094,162	4,832,830	125,255		111,052,247
Land - acquisition in progress	1,105,876	384,034	(126,798)	(63,216)	1,299,896
Conservation easements - contributed	1,989,055	28,100			2,017,155
Conservation easements - purchased	602,699	26,009	1,543		630,251
Construction in progress	-	4,204			4,204
Total nondepreciable assets	305,109,542	8,760,177	-	(63,216)	313,806,503
Depreciable assets					
Buildings	\$ 1,131,154			\$ (76,397)	\$ 1,054,757
Land improvements	384,814	12,688			397,502
Equipment	78,940	40,383			119,323
Vehicles	60,972	64,442			125,414
Website development	37,645				37,645
Subtotal depreciable assets	1,693,525	117,513	-	(76,397)	1,734,641
Accumulated depreciation	(318,892)	(72,159)		9,804	(381,247)
Net depreciable assets	1,374,633	45,354	-	(66,593)	1,353,394
Total capital assets, net	\$ 306,484,175	\$ 8,805,531	\$ -	\$ (129,809)	\$315,159,897

Depreciation expense for the year ended June 30, 2013 is \$72,159. Depreciation expense was charged to governmental functions as follows:

General operations	\$ 1,466
Management and monitoring	17,104
Land acquisition	53,589
Total depreciation	\$ 72,159

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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 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 and fencing on specific property. Investment income earned on permanent funds of \$48,840 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 formal action 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 a formal Board action. As of June 30, 2013, the Authority had no committed fund balance.

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 \$365,000 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, 2013 is as follows:

Fund Balances:	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Nonspendable				
Permanent endowment funds	\$ -	\$ -	\$ 2,761,001	\$ 2,761,001
Restricted				
Management and monitoring programs:				
Burrowing owls	85,505			85,505
Management endowment			48,840	48,840
Land acquisition programs				
Fencing		25,968		25,968
Land acquisition costs		7,770,804		7,770,804
Assigned				
Management endowment			365,000	365,000
Unassigned	12,970,653			12,970,653
Total fund balances	<u>\$13,056,158</u>	<u>\$ 7,796,772</u>	<u>\$ 3,174,841</u>	<u>\$24,027,771</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

5. Fund Balance/Net Position (Continued)

Net Position

Net investment in capital assets of \$310,004,618 represents the value of capital assets held at June 30, 2013, less the balance outstanding on the note payable used to acquire capital assets. Of the restricted net position: \$134,345 is temporarily restricted for land and management programs such as improving burrowing owl habitat and management of certain acquired properties; \$4,308,964 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. Unrestricted net position of \$13,272,667 represents funds available for general operations of the Authority.

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, 2013:

<u>Member</u>	<u>Capital Projects Fund</u>
City of Banning	\$ -
City of Beaumont	1,971,936
City of Calimesa	182,172
City of Canyon Lake	3,876
City of Corona	9,690
City of Eastvale	1,002,428
City of Hemet	111,981
City of Jurupa Valley	135,166
City of Lake Elsinore	46,512
City of Menifee	844,898
City of Moreno Valley	448,014
City of Murrieta	58,272
City of Norco	28,493
City of Perris	793,253
City of Riverside	904,782
City of San Jacinto	49,126
City of Temecula	684,383
City of Wildomar	456,234
County of Riverside	1,653,796
Total	<u>\$ 9,385,012</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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.

Fund Financials

General Fund

Operating contributions advanced	\$ 78,589
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Capital Projects Fund

Infrastructure mitigation credit	2,864,223
Total Governmental Funds	\$ 2,942,812

Government-Wide

Development mitigation fee credit	3,150,000
Total Government-Wide	\$ 6,092,812

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, 2013 is \$2,864,223.

Development mitigation fee credit

During the current year, the Authority entered into a development mitigation fee credit agreement with a development corporation. 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. Title to the property has been transferred to the Authority as of June 30, 2013 and is recorded as an asset. The mitigation fee credits may be used by the corporation to satisfy payment of future developer fees within the Authority's boundaries.

8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	one year
Compensated absences	\$ 796,582	\$ 190,391	\$ (328,118)	\$ 658,855	\$ 105,815
Installment sale note	155,279			155,279	155,279
County of Riverside loan	5,000,000			5,000,000	-
Total long-term debt	\$5,951,861	\$ 190,391	\$ (328,118)	\$5,814,134	\$ 261,094

Installment Sale Note

At June 30, 2013, 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 3.5% percent. The discount was amortized on a straight-line basis over the life of the note and was fully amortized at June 30, 2009. The note is secured by the property acquired.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

8. Long-Term Liabilities (Continued)

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, 2013 is \$5,000,000. The average rate of the Riverside County Treasurer's Pooled Investment rate was 0.38% as of June 2013.

As of June 30, 2013, annual debt service requirements to maturity are as follows:

Year ending June 30	Installment		
	Sale Loan Principal	County of Riverside Loan	
		Principal	Interest
2014	\$ 155,279	\$ -	\$ 18,786
2015			18,786
2016			18,786
2017			18,786
2018		1,000,000	18,786
2019-2022		4,000,000	37,572
	<u>\$ 155,279</u>	<u>\$5,000,000</u>	<u>\$ 131,501</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, 2013, the Authority was required to contribute 16.85% 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
6/30/2013	\$ 196,727	100%
6/30/2012	\$ 256,575	100%
6/30/2011	\$ 268,696	100%

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

10. Other Postemployment Benefits

Plan Description

The Authority leases 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 \$16,000. 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 \$1,145,099.

Annual required contribution	\$	8,000
Interest on net pension obligation (asset)		(1,000)
Adjustment to annual required contribution		1,000
Annual pension cost		8,000
Contributions made		16,000
Increase(decrease) in net pension obligation (asset)		(8,000)
Net pension obligation (asset) beginning of year		(21,000)
Net pension obligation (asset) end of year		\$ (29,000)

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for June 30, 2013 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)
6/30/2013	\$ 8,000	\$ 16,000	200%	\$ (29,000)
6/30/2012	8,000	11,000	138%	(21,000)
6/30/2011	14,000	22,000	157%	(18,000)

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

10. Other Postemployment Benefits (Continued)

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	<u>45,000</u>
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.

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, 2013, the Authority spent \$1,255,737 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. During the year, the Authority paid interest of \$21,667 to the County.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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 \$183,471 for the year-ended June 30, 2013. Future commitments under the operating leases agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 187,141
2015	190,884
2016	194,701
2017	198,595
2018	202,567
	<u>\$ 973,888</u>

13. Commitments and Contingencies

As of June 30, 2013 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>
2014	\$ 4,011,460
2015	3,373,544
2016	3,048,960
2017	3,048,960
2018	3,048,960
2019-2023	22,396,331
2024-2028	462,737
Total	<u>\$ 39,390,952</u>

The Authority has entered into separate funding agreements with local governments and agencies to contribute \$21,362,500 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.

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.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2013

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 and omissions, 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, 2013, 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, 2013, the County of Riverside donated six properties with a fair value of \$7,876,000. In addition the Authority acquired three properties with a combined value of \$704,500.

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Infrastructure mitigation	\$ 313,905	\$ 463,905	\$ 506,576	\$ 42,671
Participating special entities	80,000	3,230,000	3,358,925	128,925
Landfill tipping fees	2,021,543	1,901,543	1,866,544	(34,999)
Federal grants	-	-	4,282	4,282
Interest	43,884	43,884	(17,603)	(61,487)
Joint project review	37,500	37,500	21,994	(15,506)
Miscellaneous revenue	144,740	194,740	125,855	(68,885)
Total revenues	<u>2,641,572</u>	<u>5,871,572</u>	<u>5,866,573</u>	<u>(4,999)</u>
EXPENDITURES				
General operations				
Current:				
Salaries and benefits	152,430	152,430	148,978	3,452
Services and supplies	296,505	446,505	363,834	82,671
Capital outlay	4,200	4,200	3,056	1,144
Subtotal general operations	<u>453,135</u>	<u>603,135</u>	<u>515,868</u>	<u>87,267</u>
Management and monitoring				
Current:				
Salaries and benefits	333,683	333,683	308,425	25,258
Services and supplies	1,769,554	1,834,554	1,740,014	94,540
Capital outlay	85,200	70,200	67,498	2,702
Subtotal management and monitoring	<u>2,188,437</u>	<u>2,238,437</u>	<u>2,115,937</u>	<u>122,500</u>
Total expenditures	<u>2,641,572</u>	<u>2,841,572</u>	<u>2,631,805</u>	<u>209,767</u>
Net change in fund balance	-	3,030,000	3,234,768	204,768
Fund balance beginning of the year	<u>9,821,390</u>	<u>9,821,390</u>	<u>9,821,390</u>	<u>-</u>
Fund balance end of year	<u>\$9,821,390</u>	<u>\$12,851,390</u>	<u>\$ 13,056,158</u>	<u>\$ 204,768</u>

See accompanying notes to the required supplementary information.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Required Supplementary Information

June 30, 2013

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 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.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

**Other Postemployment Benefits
Schedule of Funding Progress**

June 30, 2013

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%