

**WESTERN RIVERSIDE COUNTY
REGIONAL CONSERVATION AUTHORITY**

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

**FOR THE YEAR ENDED
JUNE 30, 2014**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to Basic Financial Statements	17
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	33
Notes to Required Supplementary Information	34
Other Postemployment Benefits Schedule of Funding Progress	35



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, 2014, 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 auditors' 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, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 33 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, 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 10, 2014

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2014

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, 2014. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- This is the tenth full year of operations; the Authority was established in January 2004.
- The Authority's net position increased by \$24.0 million or 7% during the fiscal year. This is the amount by which total revenues exceeded total expenses for the year.
- Capital assets increased by \$16.8 million. Approximately 3,005 acres of conserved land were acquired during the year from private and public land donation, Measure A funds, federal and state grants, 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-

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2014

term financing decisions. Both the governmental fund balance sheet and related statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the related statement of revenues, expenditures and changes in fund balances for the Authority's major governmental funds comprised of the General Fund, Capital Projects Fund and Permanent Endowment Fund. The governmental fund financial statements, including the reconciliation between the fund financial statements and the government-wide financial statements, can be found on pages 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 \$354.5 million at the close of the most recent fiscal year.

	Net Position		
	June 30,		
	2014	2013	Change
Assets			
Capital assets	\$ 331,988,640	\$ 315,159,897	\$ 16,828,743
Other assets	33,678,113	27,562,911	6,115,202
Total assets	<u>365,666,753</u>	<u>342,722,808</u>	<u>22,943,945</u>
Liabilities			
Other liabilities	5,231,009	6,427,079	(1,196,070)
Long-term liabilities	5,926,165	5,814,134	112,031
Total liabilities	<u>11,157,174</u>	<u>12,241,213</u>	<u>(1,084,039)</u>
Net position			
Net investment in capital assets	326,833,361	310,004,618	16,828,743
Restricted	13,493,668	7,204,310	6,289,358
Unrestricted	14,182,550	13,272,667	909,883
Total net position	<u>\$ 354,509,579</u>	<u>\$ 330,481,595</u>	<u>\$ 24,027,984</u>

- By far the largest portion of the Authority's net position \$326.8 million (92%), 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 3,005 acres of land, increasing capital assets and the net investments in capital assets by \$16.8 million.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2014

- A portion of the Authority's net position, \$13.5 million (4%), represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$14.2 million (4%) is unrestricted and may be used to meet the Authority's ongoing obligations.

The Authority's total program and general revenues were \$28.8 million, while the total cost of all programs was approximately \$5.1 million. Total revenues increased by \$9.0 million (46%) whereas the total cost of all programs increased by \$171.3 thousand (3%). Key elements of these changes are as follows:

Changes in Net Position

	For the Years Ended June 30,		
	2014	2013	Change
Revenues			
Program revenues:			
Charges for services	\$ 45,867	\$ 21,994	\$ 23,873
Operating grants/contributions	3,380,480	6,237,582	(2,857,102)
Capital grants/contributions	25,175,847	13,450,286	11,725,561
General revenues			
Unrestricted investment	70,370	(17,603)	87,973
Other general	101,476	59,262	42,214
Total Revenues	<u>28,774,040</u>	<u>19,751,521</u>	<u>9,022,519</u>
Expenses			
General operations	354,727	499,705	(144,978)
Management and monitoring	2,212,554	2,073,139	139,415
Land acquisition	2,546,991	2,369,923	177,068
Interest	19,107	19,352	(245)
Total expenses	<u>5,133,379</u>	<u>4,962,119</u>	<u>171,260</u>
Excess before permanent contributions	<u>23,640,661</u>	<u>14,789,402</u>	<u>8,851,259</u>
Contribution to permanent endowment	387,323	-	387,323
Increase in net position	<u>24,027,984</u>	<u>14,789,402</u>	<u>9,238,582</u>
Net position, beginning	<u>330,481,595</u>	<u>315,692,193</u>	<u>14,789,402</u>
Net position, ending	<u>\$ 354,509,579</u>	<u>\$ 330,481,595</u>	<u>\$ 24,027,984</u>

- Charges for services consisting of joint project reviews increased by 109% from \$22.0 thousand in fiscal year 2013 to \$45.9 thousand in fiscal year 2014. The increase was caused by an increase in development which triggers increase in reviews conducted by the Authority.
- Operating grants and contributions decreased by \$2.9 million, or 46% for the following reasons:
 - During fiscal year 2013, the Authority received \$3.5 million from the California Department of Water Resources as a participating special entity to receive MSHCP coverage on a project that did not recur in fiscal year 2014.
 - Landfill tipping fees increased by \$506.3 thousand, or 27%, from \$1.9 million in fiscal year 2013 to \$2.4 million in the current year.
 - During the current year, the Authority received \$81.5 thousand in state grant funds for an aerial vegetation map.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

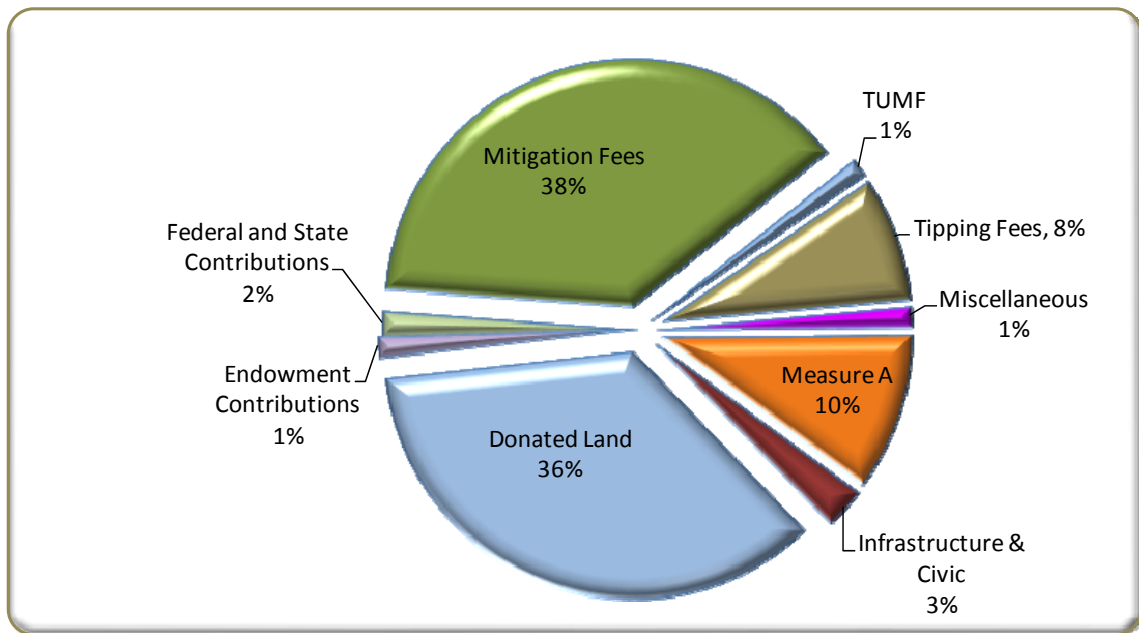
Management's Discussion and Analysis

June 30, 2014

Capital grants and contributions increased by \$11.7 million, or 87% as a result of the following:

- Increase in donated land of \$10.2 million from prior year. In the current year, the Authority received eleven land donations and three conservation easements with a combined value of \$10.3 million and approximately 2,476 acres. Donations were received from the County of Riverside and private developers. In fiscal year 2013, the Authority only received three donations with a value of \$56.1 thousand.
- Developer mitigation fees increased by \$1.8 million in the current year with the increase in housing development and new commercial warehouses built in the plan area.

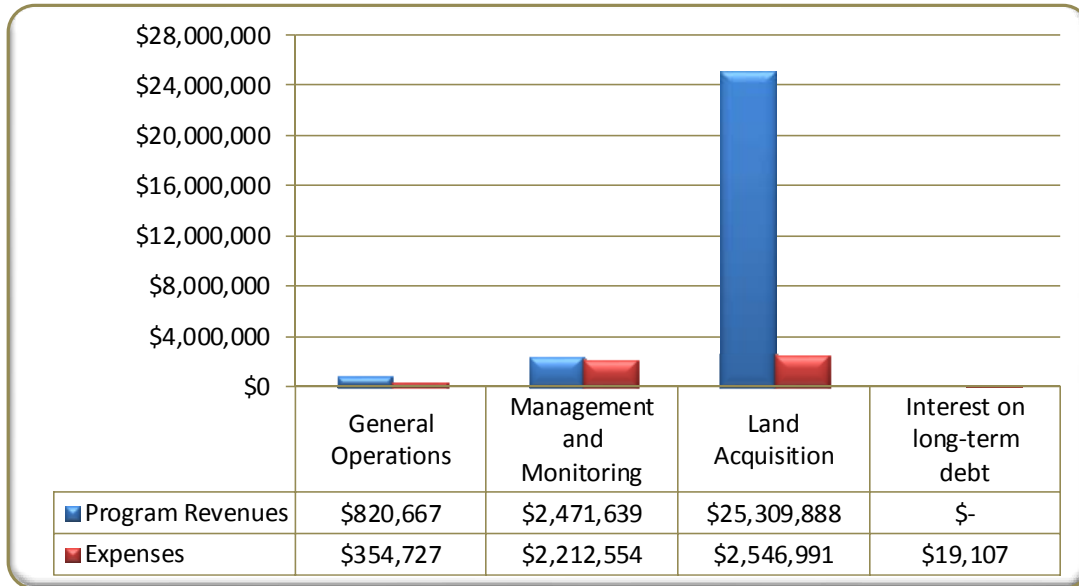
Total Program and General Revenues by Source



- General operations expenses decreased by \$145.0 thousand. The decrease was attributable to a reduction of litigation costs for general operations.
- Management and monitoring expenses increased by \$139 thousand. The increase primarily resulted from a new contract for aerial vegetation mapping which is 77% funded by a state grant.
- Land acquisition expenses increased by \$177.1 thousand. The increase was attributable to an increase in real estate services including land appraisal costs related to potential land acquisitions.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
Management's Discussion and Analysis
June 30, 2014

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 \$30.1 million, an increase of \$6.0 million in comparison with the prior year. Approximately 46% or \$13.9 million is unassigned, which is available for spending at the Authority's discretion. About \$3.1 million or 10% is nonspendable from permanent endowment contributions. An additional \$12.7 million, or 42% constitutes restricted fund balance for land acquisition and management and monitoring programs as outlined in Note 5 to the basic financial statements. Of the remaining \$365 thousand, \$350 thousand has been committed by the Authority's Board of Directors and \$15 thousand has been assigned by the Authority's management for future 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 \$13.9 million, while restricted fund balance was \$79.5 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 551% of total General Fund expenditures, while total fund balance represents approximately 554% of that same amount.

The Capital Projects Fund had a \$4.7 million increase in fund balance during the current fiscal year from \$7.8 million in fiscal year 2013 to \$12.5 million in the current year. The increase was caused by an increase in development mitigation fees contributions from member agencies. The fund balance of \$12.5 million is restricted by external contributors for land acquisition and related costs.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2014

Fund balance in the Permanent Fund increased from \$3.2 million to \$3.6 million. The increase resulted from a \$387 thousand permanent endowment from Southern California Gas Company for future management of a current year donated property.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the original budgeted revenues and appropriations were increased by \$23 thousand for burrowing owl relocation costs funded by a developer.

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

- Landfill tipping revenues were budgeted at \$1.9 million. The out-of-county tonnage disposal this year surpassed the expectations. Thus, actual revenues of \$2.4 million exceeded the budget by \$522.8 thousand.
- A shortfall of budgeted revenues from state grants of \$74.6 thousand resulted from timing delays in project startup. The remaining grant balance is expected to be expensed and reimbursed in the subsequent year.
- Actual expenditures for services and supplies were well under the budget by approximately \$171.1 for general operations due to savings in litigation costs. Whereas management and monitoring achieved \$168.1 thousand of savings in services and supplies from contractual professional services.

Capital Assets and Debt Administration

The Authority's investment in capital assets for its governmental funds as of June 30, 2014 amounts to \$332 million. This investment in capital assets includes land, buildings and improvements, land improvements, and equipment. The total increase in the Authority's assets was 5%.

Capital Assets

	June 30,	
	2014	2013
Land	\$ 326,175,372	\$309,854,997
Land acquisition in process	1,667,893	1,299,896
Conservation easements	2,828,102	2,647,406
Construction in progress	2,822	4,204
Buildings and improvements	1,054,757	1,054,757
Land improvements	442,627	397,502
Equipment and software	282,382	282,382
Total capital assets	332,453,955	315,541,144
Less accumulated depreciation	(465,315)	(381,247)
Total capital assets, net	\$ 331,988,640	\$315,159,897

During the year, the Authority acquired 23 new properties and three conservation easements with a combined total 3,005 acres as follows:

- The Authority received 11 land donations from the County of Riverside and private developers. The donated land of approximately 2,443 acres had a fair value of \$10.2 million at the time of donation. In addition, the Authority received three conservation easements with fair value of \$139 thousand and about 33 acres.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Management's Discussion and Analysis

June 30, 2014

- Riverside County Transportation Commission provided \$3.0 million in Measure A funds toward acquisition of a 73 acre property.
- One parcel of 119 acres was acquired with Federal funds (U.S. Department of the Interior, Fish and Wildlife Service) and State funds (California Department of Fish and Wildlife) of \$189 thousand and \$81 thousand, respectively. In addition, in collaboration with the Department of Defense's Readiness and Environmental Protection Initiative, the Authority acquired 20 acres funded 50% with federal funds (\$94.5 thousand).
- Additionally, the Authority acquired nine properties totaling 317 acres using mitigation fees.

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 increased by \$112 thousand during the year. The increase was a result of leave balance accrual process. No additional activity occurred during the year in long-term debt. For additional information regarding long-term debt, see Note 8.

Economic Factors and Next Year's Budget and Rates

The Authority's Plan contains a provision for an annual fee adjustment based on the Consumer Price Index (Los Angeles-Riverside-Orange County). Based on the CPI increase from December 2012 to December 2013, MSHCP fees could have been subject to a 1.14% increase effective fiscal year 2015. On March 3, 2014 the Authority's Board elected not to implement the increase. This marks the sixth consecutive year mitigation fees have not been increased by the CPI.

The U.S. Department of the Interior, Fish and Wildlife Service, has awarded the Authority \$4 million, \$2.8 million and \$1.5 million in Cooperative Endangered Species Conservation Fund Grant funds for 2012, 2013 and 2014 programs, respectively. The grant funds are restricted for land acquisition costs only. As of June 30, 2014, only \$189 thousand of the grant funds had been expended.

All of these factors were considered in preparing the Authority's budget for fiscal year 2015 which was approved by the Board of Directors on May 5, 2014.

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, 2014

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 28,251,370
Accounts receivable, net (Note 3)	1,786,146
Interest receivable	13,383
Net OPEB asset (Note 10)	36,000
Restricted cash and investments (Note 2)	3,591,214
Capital assets (Note 4):	
Depreciable, net	1,314,451
Nondepreciable	330,674,189
Total Assets	<u>365,666,753</u>
LIABILITIES	
Current liabilities:	
Accounts payable	243,280
Salaries and benefits payable	82,505
Customer deposits	2,800
Unearned revenues (Note 7)	4,892,632
Accrued interest payable	9,792
Long-term liabilities (Note 8):	
Due within one year	279,557
Due after one year	5,646,608
Total Liabilities	<u>11,157,174</u>
NET POSITION (Note 5)	
Net investment in capital assets	326,833,361
Restricted for:	
Management and monitoring:	
Expendable	134,244
Nonexpendable	3,148,324
Land acquisition	10,211,100
Unrestricted	14,182,550
Total Net Position	<u>\$ 354,509,579</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General operations	\$ 354,727	\$ 45,867	\$ 774,800	\$ -	\$ 465,940
Management and monitoring	2,212,554		2,471,639		259,085
Land acquisition	2,546,991		134,041	25,175,847	22,762,897
Interest	19,107				(19,107)
Total governmental activities	<u>\$ 5,133,379</u>	<u>\$ 45,867</u>	<u>\$ 3,380,480</u>	<u>\$ 25,175,847</u>	<u>23,468,815</u>
General Revenues:					
Unrestricted investment earnings					70,370
Other revenue					101,476
Contributions to permanent endowment					387,323
Total general revenues					<u>559,169</u>
Change in net position					24,027,984
Net position beginning of year					<u>330,481,595</u>
Net position end of year					<u>\$ 354,509,579</u>

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Balance Sheet – Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
ASSETS				
Cash and investments (Note 2)	\$ 13,938,784	\$ 14,257,673	\$ 54,913	\$ 28,251,370
Accounts receivable, net (Note 3)	193,845	1,592,301		1,786,146
Interest receivable	5,763	6,216	1,404	13,383
Restricted cash and investments(Note 2)	79,495		3,511,719	3,591,214
Total assets	<u>\$ 14,217,887</u>	<u>\$ 15,856,190</u>	<u>\$ 3,568,036</u>	<u>\$ 33,642,113</u>
LIABILITIES				
Accounts payable	\$ 138,199	\$ 105,081	\$ -	\$ 243,280
Salaries and benefits payable	22,715	59,790		82,505
Customer deposits	2,800			2,800
Unearned revenue (Note 7)	73,099	2,896,287		2,969,386
Total liabilities	<u>236,813</u>	<u>3,061,158</u>	<u>-</u>	<u>3,297,971</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 1)		274,810		274,810
Total deferred inflows of resources	<u>-</u>	<u>274,810</u>	<u>-</u>	<u>274,810</u>
FUND BALANCES (Note 5):				
Nonspendable			3,148,324	3,148,324
Restricted	79,532	12,520,222	54,712	12,654,466
Committed			350,000	350,000
Assigned			15,000	15,000
Unassigned	13,901,542			13,901,542
Total fund balances	<u>13,981,074</u>	<u>12,520,222</u>	<u>3,568,036</u>	<u>30,069,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,217,887</u>	<u>\$ 15,856,190</u>	<u>\$ 3,568,036</u>	<u>\$ 33,642,113</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, 2014

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

Total fund balances - governmental funds	\$ 30,069,332
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	331,988,640
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.	36,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	274,810
Unearned mitigation revenues exchanged for land, not reported in the funds (note 7).	(1,923,246)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(770,886)
Notes payable	(5,155,279)
Accrued interest payable	(9,792)
Net position of governmental activities	<u>\$ 354,509,579</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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
REVENUES				
Mitigation fees (Note 6)	\$ -	\$ 9,913,187	\$ -	\$ 9,913,187
Measure A		3,000,000		3,000,000
Transportation uniform mitigation fee		300,000		300,000
Infrastructure mitigation contributions	774,800			774,800
Landfill tipping fees	2,372,823			2,372,823
Federal and state contributions	81,496	364,550		446,046
Interest	70,370	61,889	17,320	149,579
Joint project review	45,867			45,867
Miscellaneous revenue	101,476	72,152		173,628
Total revenues	<u>3,446,832</u>	<u>13,711,778</u>	<u>17,320</u>	<u>17,175,930</u>
EXPENDITURES				
Current:				
General operations	342,291			342,291
Management and monitoring	2,179,625		11,448	2,191,073
Land acquisition		2,370,270		2,370,270
Debt Service:				
Interest		18,708		18,708
Capital outlay		6,599,350		6,599,350
Total expenditures	<u>2,521,916</u>	<u>8,988,328</u>	<u>11,448</u>	<u>11,521,692</u>
Excess (deficiency) of revenues over expenditures	924,916	4,723,450	5,872	5,654,238
Other Financing Sources (Uses)				
Contributions to permanent endowment			387,323	387,323
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>387,323</u>	<u>387,323</u>
Net change in fund balances	924,916	4,723,450	393,195	6,041,561
Fund balances beginning of the year	<u>13,056,158</u>	<u>7,796,772</u>	<u>3,174,841</u>	<u>24,027,771</u>
Fund balances end of year	<u>\$ 13,981,074</u>	<u>\$ 12,520,222</u>	<u>\$ 3,568,036</u>	<u>\$ 30,069,332</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, 2014

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

Net change in fund balances - total governmental funds	\$ 6,041,561
<p>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:</p>	
Expenditures for capital assets	6,599,350
Donated land	10,335,000
Less current year depreciation expense	(84,068)
Less loss on disposal of assets	(21,539)
<p>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.</p>	
	7,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Mitigation revenues recognized current year (note 7)	1,226,754
Change in unavailable funds	36,356
<p>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.</p>	
Change in compensated absences	(112,031)
Change in accrued interest payable	(399)
Change in net position of governmental activities	\$ 24,027,984

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

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:

Scott Miller	Chairman	City of San Jacinto
John Tavaglione	Vice Chairman	County of Riverside, 2 nd District Supervisor
Jerry Westholder	Member	City of Banning
Roger Berg	Member	City of Beaumont
Jeffrey Hewitt	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
Richard Stewart	Member	City of Moreno Valley
Harry Ramos	Member	City of Murrieta
Kevin Bash	Member	City of Norco
Mark Yarbrough	Member	City of Perris
Andy Melendez	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
Jeff Stone	Member	County of Riverside, 3 rd District Supervisor
John Benoit	Member	County of Riverside, 4 th District Supervisor
Marion Ashley	Member	County of Riverside, 5 th District Supervisor

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

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

The *Permanent 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, 2014

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 improvements, and equipment are depreciated on a straight line basis over the assets' estimated useful lives. The ranges of lives used for depreciation purposes for each capital asset class are as follows:

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

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, 2014

1. Reporting Entity and Significant Accounting Policies (Continued)

Deferred Inflow of Resources

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 of \$274,810 from transportation uniform mitigation fees as of June 30, 2014. 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.

Effect of New GASB Pronouncements

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*. This statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement is effective for financial statements beginning after December 15, 2012. The Authority has determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective June 30, 2014. The Authority has determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the effect of this statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for periods beginning after December 31, 2013. The Authority has not determined the effect of this statement.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

2. Reporting Entity and Significant Accounting Policies (Continued)

Effect of New GASB Pronouncements (Continued)

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for periods beginning after June 15, 2013. The Authority has determined that this statement does not have a material impact on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the effect of this statement.

2. Cash and Investments

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

Cash and investments	\$28,251,370
Restricted cash and investments	<u>3,591,214</u>
Total Cash and investments	<u>\$31,842,584</u>

At June 30, 2014, cash and investments consisted of the following:

Riverside County Treasurer's Pooled Investment Fund	<u>\$31,842,584</u>
---	---------------------

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	\$ 3,511,719
Burrowing owl habitat	<u>79,495</u>
Total cash and investments	<u>\$ 3,591,214</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, 2014

2. Cash and Investments (Continued)

Authorized Investments

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	\$ -	\$ 1,769,459	\$ 1,769,459
Infrastructure mitigation	428,638		428,638
State of California	23,198		23,198
County of Riverside		37,310	37,310
Transportation uniform mitigation fee		274,810	274,810
Subtotal	<u>451,836</u>	<u>2,081,579</u>	<u>2,533,415</u>
Due from Others:			
Charges for services	14,331		14,331
Others	500	29,812	30,312
Subtotal	<u>14,831</u>	<u>29,812</u>	<u>44,643</u>
Total receivable	466,667	2,111,391	2,578,058
Less allowance for uncollectible	(272,822)	(519,090)	(791,912)
Accounts receivable (net)	<u>\$ 193,845</u>	<u>\$ 1,592,301</u>	<u>\$ 1,786,146</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

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 \$2,192 allowance for outstanding charges for services. In the Capital Projects Fund, an allowance of \$519,090 has been established for outstanding mitigation fees from member agencies.

4. Capital Assets

Activity relating to capital assets is as follows:

	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Nondepreciable assets					
Land - contributed	\$ 174,396,598	\$ 13,290,550	\$ -	\$ -	\$ 187,687,148
Land - grants	24,406,152	270,000			24,676,152
Land - purchased	111,052,247	2,573,945	185,880		113,812,072
Land - acquisition in progress	1,299,896	578,357	(193,025)	(17,335)	1,667,893
Conservation easements - contributed	2,017,155	139,000			2,156,155
Conservation easements - purchased	630,251	34,551	7,145		671,947
Construction in progress	4,204	2,822		(4,204)	2,822
Total nondepreciable assets	<u>313,806,503</u>	<u>16,889,225</u>	<u>-</u>	<u>(21,539)</u>	<u>330,674,189</u>
Depreciable assets					
Buildings and Improvements	\$ 1,054,757				\$ 1,054,757
Land improvements	397,502	45,125			442,627
Equipment	119,323				119,323
Vehicles	125,414				125,414
Website development	37,645				37,645
Subtotal depreciable assets	1,734,641	45,125	-	-	1,779,766
Accumulated depreciation	(381,247)	(84,068)			(465,315)
Net depreciable assets	1,353,394	(38,943)	-	-	1,314,451
Total capital assets, net	<u>\$ 315,159,897</u>	<u>\$ 16,850,282</u>	<u>\$ -</u>	<u>\$ (21,539)</u>	<u>\$ 331,988,640</u>

Depreciation expense for the year ended June 30, 2014 is \$84,068. Depreciation expense was charged to governmental functions as follows:

General operations	\$ 1,933
Management and monitoring	21,481
Land acquisition	60,654
Total depreciation	<u>\$ 84,068</u>

5. Fund Balances/Net Position

Fund Financial Statements

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

5. Fund Balances/Net Position (Continued)

Fund Financial Statements

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 \$3,148,324 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 of \$79,532 and \$26,714 have been received for improving burrowing owl habitat and fencing on specific property, respectively. Investment income earned on permanent funds of \$54,712 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, 2014, the Authority established \$350,000 in Committed Fund Balance in the Permanent Fund. This represents funds committed by the Authority's Board of Directors toward increasing the future permanent funds.

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 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, 2014 is as follows:

Fund Balances:	<u>General</u>	<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
Nonspendable				
Permanent endowment funds	\$ -	\$ -	\$ 3,148,324	\$ 3,148,324
Restricted				
Management and monitoring				
Burrowing owls	79,532			79,532
Management endowment			54,712	54,712
Land acquisition programs				
Fencing		26,714		26,714
Non-development properties		182,129		182,129
Land acquisition costs		12,311,379		12,311,379
Subtotal restricted	<u>79,532</u>	<u>12,520,222</u>	<u>54,712</u>	<u>12,654,466</u>
Committed				
Management endowment			350,000	350,000
Assigned				
Management endowment			15,000	15,000
Unassigned	<u>13,901,542</u>			<u>13,901,542</u>
Total fund balances	<u>\$13,981,074</u>	<u>\$ 12,520,222</u>	<u>\$ 3,568,036</u>	<u>\$30,069,332</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

5. Fund Balance/Net Position (Continued)

Net Position

Net investment in capital assets of \$326,833,361 represents the value of capital assets held at June 30, 2014, less the balance outstanding on the note and loan payable used to acquire capital assets. Of the restricted net position: \$134,244 is temporarily restricted for land and management programs such as improving burrowing owl habitat and management of certain acquired properties; \$10,211,100 is temporarily restricted for land acquisition including land cost, fencing on acquired land, and other related land costs associated with the purchase of the land; and \$3,148,324 is permanently restricted to accumulate funds to be used for land adaptive management. Unrestricted net position of \$14,182,550 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, 2014:

<u>Member</u>	<u>Capital Projects Fund</u>
City of Banning	\$ 9,384
City of Beaumont	1,085,905
City of Calimesa	117,739
City of Canyon Lake	21,318
City of Corona	220,612
City of Eastvale	604,117
City of Hemet	252,742
City of Jurupa Valley	209,196
City of Lake Elsinore	48,982
City of Menifee	1,500,681
City of Moreno Valley	2,271,261
City of Murrieta	518,872
City of Norco	1,938
City of Perris	1,077,658
City of Riverside	255,505
City of San Jacinto	58,429
City of Temecula	287,954
City of Wildomar	172,157
County of Riverside	1,198,737
Total	<u>\$ 9,913,187</u>

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

7. Unearned Revenue

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

<u>Fund Financials</u>	
General Fund	
Operating contributions advanced	\$ 73,099
Capital Projects Fund	
Infrastructure mitigation credit	2,864,223
Land acquisition contributions	<u>32,064</u>
Total Governmental Funds	\$ 2,969,386
<u>Government-Wide</u>	
Development mitigation fee credit	<u>1,923,246</u>
Total Government-Wide	<u>\$ 4,892,632</u>

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, 2014 is \$2,864,223.

Development mitigation fee credit

The Authority entered into a development mitigation fee credit agreement with a development corporation in May 2013. The Authority granted \$3,150,000 in mitigation fee credits to the corporation in exchange for property owned by the corporation of approximately 309 acres. The mitigation fee credits may be used by the corporation to satisfy payment of future development fees within the Authority's boundaries. During the current year, the corporation applied \$1,226,754 in fee credits toward mitigation fees. As of June 30, 2014, \$1,923,246 in fee credits remain unearned.

8. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning			Ending	Due within
	Balance	Additions	Reductions	Balance	one year
Compensated absences	\$ 658,855	\$ 251,270	\$ (139,239)	\$ 770,886	\$ 124,278
Installment sale note	155,279			155,279	155,279
County of Riverside loan	5,000,000			5,000,000	-
Total long-term debt	<u>\$5,814,134</u>	<u>\$ 251,270</u>	<u>\$ (139,239)</u>	<u>\$5,926,165</u>	<u>\$ 279,557</u>

Installment Sale Note

At June 30, 2014, the Authority had one outstanding installment sale note for the acquisition of land from a private seller. The note is non-interest bearing and is due on demand. At inception in fiscal year 2007, the Authority recorded a discount on the note payable using an effective interest rate of 3.5% percent. The discount was fully amortized in three years. The note is secured by the property acquired.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

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 acquisition. 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, 2014 is \$5,000,000. The average rate of the Riverside County Treasurer's Pooled Investment rate was 0.39% as of June 2014.

As of June 30, 2014, annual debt service requirements to maturity are as follows:

Year ending June 30	Installment	
	Sale Loan Principal	County of Riverside Loan Principal Interest
2015	\$ 155,279	\$ - \$ 19,583
2016		- 19,583
2017		- 19,583
2018		1,000,000 19,583
2019		1,000,000 15,668
2020-2022		3,000,000 23,500
	<u>\$ 155,279</u>	<u>\$ 5,000,000</u> <u>\$ 117,500</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, 2014, the Authority was required to contribute 19.05% 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
6/30/2014	\$ 211,630	100%
6/30/2013	\$ 196,727	100%
6/30/2012	\$ 256,575	100%

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

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 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 \$6,000, the Authority's actual contribution was \$13,000. The required contribution was determined as part of the July 1, 2013, actuarial valuation using the entry age actuarial cost method.

Annual required contribution	\$ 6,000
Interest on net OPEB obligation (asset)	(2,000)
Adjustment to annual required contribution	<u>2,000</u>
Annual OPEB cost	6,000
Contributions made	<u>13,000</u>
Increase(decrease) in net OPEB obligation (asset)	(7,000)
Net pension obligation (asset) beginning of year	<u>(29,000)</u>
Net pension obligation (asset) end of year	<u><u>\$ (36,000)</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for June 30, 2014 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)
6/30/2014	\$ 6,000	\$ 13,000	217%	\$ (36,000)
6/30/2013	8,000	16,000	200%	(29,000)
6/30/2012	8,000	11,000	138%	(21,000)

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

10. Other Postemployment Benefits (Continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 116,000
Actuarial value of plan assets	66,000
Unfunded actuarial accrued liability (UAAL)	<u>\$ 50,000</u>
Funded ratio (actuarial value of plan assets/AAL)	56.9%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 1,167,000
UAAL as a percentage of covered payroll	4.3%

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 7.36%, projected salary increase of 3.0% and inflation rate of 2.75%. 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, 2014, the Authority spent \$1,579,211 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 \$18,708 to the County.

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 \$187,141 for the year-ended June 30, 2014.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

12. Operating Lease Obligations (Continued)

Future commitments under the operating leases agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 190,884
2016	194,701
2017	198,595
2018	202,567
	<u>\$ 786,747</u>

13. Commitments and Contingencies

As of June 30, 2014 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>
2015	\$ 11,043,544
2016	3,048,960
2017	3,048,960
2018	3,048,960
2019	3,048,960
2020-2024	19,396,331
2025-2029	381,039
Total	<u>\$ 43,016,754</u>

The Authority has entered into separate funding agreements with local governments and agencies to contribute \$20,165,000 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.

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

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2014

14. Risk Management (Continued)

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, 2014, 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, 2014, the Authority acquired four new properties totaling 81 acres with a combined value of \$6,233,908. Two of the properties were acquired with Federal and State funds of \$325,500 and \$139,500, respectively. The remaining two properties were acquired with mitigation fees previously collected.

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Infrastructure mitigation	\$ 680,000	\$ 680,000	\$ 774,800	\$ 94,800
Participating special entities	20,000	20,000	-	(20,000)
Landfill tipping fees	1,850,000	1,850,000	2,372,823	522,823
Federal and state contributions	156,087	156,087	81,496	(74,591)
Interest	33,440	33,440	70,370	36,930
Joint project review	38,000	38,000	45,867	7,867
Miscellaneous revenue	113,400	136,834	101,476	(35,358)
Total revenues	<u>2,890,927</u>	<u>2,914,361</u>	<u>3,446,832</u>	<u>532,471</u>
EXPENDITURES				
General operations				
Current:				
Salaries and benefits	147,258	147,258	133,235	14,023
Services and supplies	380,122	380,122	209,056	171,066
Subtotal general operations	<u>527,380</u>	<u>527,380</u>	<u>342,291</u>	<u>185,089</u>
Management and monitoring				
Current:				
Salaries and benefits	337,358	337,358	298,088	39,270
Services and supplies	2,026,189	2,049,623	1,881,537	168,086
Subtotal management and monitoring	<u>2,363,547</u>	<u>2,386,981</u>	<u>2,179,625</u>	<u>207,356</u>
Total expenditures	<u>2,890,927</u>	<u>2,914,361</u>	<u>2,521,916</u>	<u>392,445</u>
Net change in fund balance	-	-	924,916	924,916
Fund balance beginning of the year	<u>13,056,158</u>	<u>13,056,158</u>	<u>13,056,158</u>	-
Fund balance end of year	<u>\$ 13,056,158</u>	<u>\$ 13,056,158</u>	<u>\$ 13,981,074</u>	<u>\$ 924,916</u>

See accompanying notes to the required supplementary information.

WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY

Notes to Required Supplementary Information

June 30, 2014

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, 2014

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]
1/1/2009	\$ 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%
7/1/2013	66,000	116,000	50,000	56.9%	1,167,000	4.3%