

# OLD BUSINESS

## MOU WITH RCA

**MEMORANDUM OF UNDERSTANDING BY AND  
BETWEEN THE WESTERN RIVERSIDE COUNTY  
REGIONAL CONSERVATION AUTHORITY AND  
THE TEMECULA-ELSINORE-ANZA-MURRIETA  
RESOURCE CONSERVATION DISTRICT  
REGARDING HABITAT MANAGEMENT PURSUANT  
TO THE WESTERN RIVERSIDE COUNTY HABITAT  
CONSERVATION PLAN**

This Memorandum of Understanding ("MOU") is entered into by and between the Western Riverside County Regional Conservation Authority ("RCA"), a public agency and joint powers authority, and the Temecula-Elsinore-Anza-Murrieta Resource Conservation District ("Reserve Manager"), a California resource conservation district, as of the date set forth below. RCA and Reserve Manager are sometimes referred to in this MOU individually as a "Party," or collectively as the "Parties."

**RECITALS**

**WHEREAS**, RCA is a public agency and joint powers authority created pursuant to the provisions of Government Code section 6500 et seq. The RCA is composed of seventeen (17) member agencies, including the County of Riverside and sixteen cities within the western part of the County, for purposes of wildlife and plant life conservation and to provide primary policy direction for implementation of the Western Riverside County Multiple Species Habitat Conservation Plan ("MSHCP"); and

**WHEREAS**, Reserve Manager is a California resource conservation district created and authorized pursuant to Public Resources Code section 9001 et seq., with a service area covering approximately 789 square miles in northwestern Riverside County; and

**WHEREAS**, the Parties share a common interest in sustaining the integrity of regional biological and natural systems and the human and economic values they support in Western Riverside County; and

**WHEREAS**, the MSHCP, of which RCA was a signatory, went into effect in June 2004, and was designed to meet the challenge of rapid urbanization by providing for the conservation of significant habitat and the preservation of endangered, threatened, and rare species in a coordinated and efficient manner; and

**WHEREAS**, one of RCA's primary responsibilities is to acquire or document the acquisition of property for assembly of the MSHCP Conservation Area, including lands qualifying as Additional Reserve Lands, defined as conserved habitat totaling approximately 153,000 acres needed to meet the goals and objectives of the MSHCP (MSHCP Implementing Agreement, section 3.3 at p. 4), and Public/Quasi-Public Lands, meaning that subset of MSHCP Conservation Area lands totaling approximately 347,000 acres of lands known to be in public/private ownership and expected to be managed for open space value and/or in a manner that contributes to the conservation of species covered by the MSHCP (MSHCP Implementing Agreement, section 3.90 at p. 13); and

**WHEREAS**, efforts to coordinate conservation programs among local, state, and federal agencies in California are well-established. This MOU establishes a partnership between the RCA and Reserve Manager to cooperate in the implementation of the MSHCP; and

**WHEREAS**, one of RCA's responsibilities is to encourage the exchange of information regarding Public/Quasi-Public (POP) Lands, meaning that subset of MSHCP Conservation Area lands totaling approximately 347,000 acres of lands known to be in public/private ownership and that are managed for conservation and/or open space value and/or in a manner that contributes to the conservation of species covered by the MSHCP (MSHCP Implementing Agreement, section 3.90 at p. 13); and

**WHEREAS**, one purpose of this MOU is to encourage the Reserve Manager to manage self-sustaining conservation areas with three primary management goals, 1) maintain or improve habitat conditions and ecosystems functions within the MSHCP Conservation Area, 2) manage natural processes so that species diversity is maintained along with overall ecosystem health, 3) reduce disturbance regimes and minimize threats that affect habitats and natural communities in the MSHCP Conservation Area; and

**WHEREAS**, as further identified in Exhibit "A," Reserve Manager owns certain parcels of land in fee title or under conservation easements that are located outside of the Criteria Cells and which qualify as Public/Quasi-Public Lands pursuant to MSHCP Implementing Agreement section 3.90 page 13 ("POP Lands"); and

*NOT to be included*  
~~**WHEREAS**, in addition to POP Interests, and as further identified in Exhibit "B" Reserve Manager owns certain parcels of land in fee title or under conservation easements that are located within the Criteria Cells ("ARL Lands"); and~~

**WHEREAS**, a second purpose of this MOU is to confer take to Reserve Manager pursuant to Sections 13.1 and 18.0 of the Implementing Agreement to conduct management and monitoring activities on Reserve Manager-controlled property in compliance with the Implementing Agreement, the Permits and the MSHCP (including, but not limited to, page 7-66); and

**WHEREAS**, the Parties desire to enter into this MOU to satisfy the goal of management and adaptive management practices of conserved land in accordance with Section 5.2 of the MSHCP.

**NOW, THEREFORE**, in consideration of the covenants and conditions set forth herein, RCA and Reserve Manager hereto agree as follows:

1. Incorporation of Recitals. The Parties hereby affirm the facts set forth in the Recitals above and agree to the incorporation of the Recitals as though fully set forth herein.
2. Definitions. Unless otherwise defined by this MOU, all capitalized terms in this MOU will have the same definition as the MSHCP and the Implementing Agreement. Specifically,

**WHEREAS**, efforts to coordinate conservation programs among local, state, and federal agencies in California are well-established. This MOU establishes a partnership between the RCA and Reserve Manager to cooperate in the implementation of the MSHCP; and

**WHEREAS**, one of RCA's responsibilities is to encourage the exchange of information regarding Public/Quasi-Public (POP) Lands, meaning that subset of MSHCP Conservation Area lands totaling approximately 347,000 acres of lands known to be in public/private ownership and that are managed for conservation and/or open space value and/or in a manner that contributes to the conservation of species covered by the MSHCP (MSHCP Implementing Agreement, section 3.90 at p. 13); and

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1. Incorporation of Recitals. The Parties hereby affirm the facts set forth in the Recitals above and agree to the incorporation of the Recitals as though fully set forth herein.

2. Definitions. Unless otherwise defined by this MOU, all capitalized terms in this MOU will have the same definition as the MSHCP and the Implementing Agreement. Specifically,

(a) “General Management Measures” is defined in Section 5 of the MSHCP, specifically starting at page 5-4.

(b) “Habitat” is defined in Section 3.53 of the Implementing Agreement.

3. Authority. This MOU does not modify or supersede existing statutory direction of the signatories.

4. Management.

(a) Management Goals. The overriding management goal of the MSHCP is to establish and maintain a self-sustaining MSHCP Conservation Area, which focuses on conserving Covered Species and their Habitats. In furtherance of the satisfaction of this goal, Reserve Manager agrees to manage its PQP and ARL Lands consistent with the MSHCP by maintaining and/or improving habitat conditions and ecosystem functions on such lands.

(1) The RCA agrees to provide any available digital files and hard copy maps of the PQP and ARL Lands to Reserve Manager upon request. Reserve Manager likewise agrees to provide the RCA with any available digital files and hard copy maps of the same. The Reserve Manager will provide updated information by December 31 of each year.

(2) Reserve Manager further agrees to provide any further information it possesses regarding types of vegetation and quality of vegetation on the lands it manages within the MSHCP Plan Area to the RCA.

(b) General Management Measures. In connection with its management of the PQP and ARL Lands, Reserve Manager will not undertake any action that will be adverse to the General Management Measures identified in Section 5 of the MSHCP, which General Management Measures address the processes, threats, and disturbances that affect habitat and on sustaining sufficient species diversity to maintain the health of the particular ecosystem. Reserve Manager’s management will include reasonable measures to control disturbance regimes that include illegal trespass (e.g., dumping, vandalism and off-road vehicle use); altering the natural fire regime (fires too frequent or too infrequent); and habitat disturbance. Typical responses to these disturbance regimes may include, in Reserve Manager’s discretion, controlling public access through appropriate fencing, gates, and signage, and trash removal.

(c) Monitoring. Reserve Manager will grant a right of entry onto the PQP and ARL Lands by RCA staff, or its designees, to carry out biological monitoring activities required by the MSHCP.

5. Management Take. Reserve Manager agrees to comply with the MSHCP Management Guidance Document (October 2010, or any amendment or updates thereto), Implementation for Non-RCA Participating Reserve Managers, when requesting take for management activities.

6. Costs and Expenses. The Parties agree that additional costs that may be related to or a result of “Adaptive Management” or increased management costs which may occur under the Adaptive Management Program (Section 5.2 of the MSHCP) may be agreed to in

advance of implementation and reimbursed to the Reserve Manager by the RCA from MSHCP Reserve Management Budget funds approved by the RCA Board.

7. Term. The term of this MOU shall continue for the life of the 75 year permit (i.e., until 2079). The Parties intend for this MOU to remain enforceable for the life of the MSHCP and any successor conservation plan.

8. Termination. This MOU can be terminated by either party with 90-days' notice. Take granted for monitoring or management to the Reserve Manager will terminate on the same date as the MOU termination.

9. Dispute Resolution. The Parties will work collaboratively to resolve issues associated with management take by taking the following steps:

(a) The Parties will make every effort to expeditiously resolve any disagreements. If resolution cannot be accomplished promptly during regularly scheduled meetings and conference calls, a further attempt to reach resolution will be promptly attempted in an interim meeting or conference call dedicated to the purpose of resolving the disagreement. All Parties agree to elevate the decision to successively higher levels within each organization until consensus is reached.

10. Notices. The persons and their addresses having authority to give and receive notices under this MOU are:

Reserve Manager:

Temecula-Elsinore-Anza-Murrieta  
Resource Conservation District  
P.O. Box 2078  
Temecula, CA 92593-2078  
Phone: (951) 387-8992

RCA:

Western Riverside County Regional  
Conservation Authority  
Attention: Executive Director  
P.O. Box 1667  
3403 Tenth St., Suite 320  
Riverside, CA 92502-1667  
Phone: (951) 955-9700  
Facsimile: (951) 955-8873

Any notices from either Party to the other shall be given in writing to the attention of the persons listed above, or to other such addresses or addressees as may hereafter be designated in writing for notices by either Party to the other. Notice shall be served personally, sent by facsimile, overnight mail by a reputable courier, or by first class mail, postage prepaid.

11. Indemnification. RCA shall indemnify and hold Reserve Manager, its officers, agents and employees free and harmless from liability to any person or entity not a Party to this MOU from any damage, loss or injury to person and/or property which relates to or arises from the negligence or willful misconduct of the RCA, its officers, agents or employees in the execution or implementation of this MOU; Reserve Manager shall indemnify and hold RCA, its officers, agents, or employees free and harmless from liability to any person or entity not a Party to this MOU from any damage, loss or injury to person and/or property which relates to

or arises from the negligence or willful misconduct of Reserve Manager, its officers, agents or employees in the execution or implementation of this MOU.

12. Authority. This MOU does not modify or supersede existing statutory direction to any signatory to the MSHCP or the provisions of the MSHCP and is voluntarily entered into between the Parties.

13. Miscellaneous.

(a) Neither Party may assign its rights or obligations under this MOU without the express written consent of the other Party.

(b) This MOU contains the entire understanding between the Parties with respect to its subject matter, and supersedes all prior agreements, oral or written, and all prior or contemporaneous discussions or negotiations between the Parties. This MOU cannot be amended except in writing signed by both Parties.

(c) The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate, or convenient to attain the purposes of this MOU.

(d) If any portion of this MOU is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

(e) No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

(f) This MOU and all documents executed and delivered in connection herewith shall be governed by the laws of the State of California. The Parties agree to the jurisdiction and venue of the appropriate court(s) in the County of Riverside, State of California.

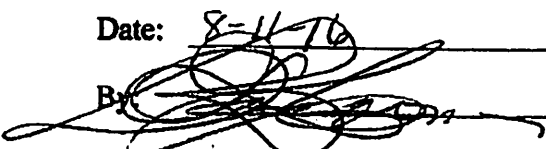
(g) If any legal action or other proceeding is brought for the enforcement of this MOU, the prevailing Party shall be entitled to recover reasonable attorneys' fees, expenses, and other costs incurred in that action or proceeding in addition to any other relief to which such Party may be entitled.



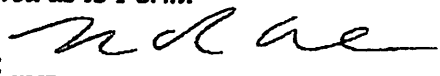
**SIGNATURE PAGE FOR THE MEMORANDUM OF UNDERSTANDING BY AND BETWEEN THE WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY AND THE TEMECULA-ELSINORE-ANZA-MURRIETA RESOURCE CONSERVATION DISTRICT REGARDING HABITAT MANAGEMENT PURSUANT TO THE WESTERN RIVERSIDE COUNTY HABITAT CONSERVATION PLAN**

**IN WITNESS WHEREOF, the Parties have executed this Memorandum of Understanding as of the last date set forth below ("Effective Date").**

**TEMECULA-ELSINORE-ANZA-MURRIETA RESOURCE CONSERVATION DISTRICT, a California resource conservation district**

Date: 8-11-16  
By:   
Name: ROSE CORONA  
Rose Corona  
President

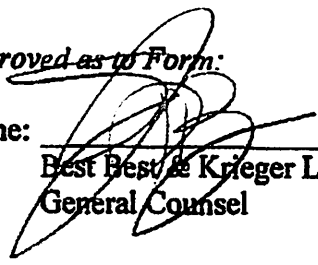
*Approved as to Form:*

Name:   
Melissa R. Cushman  
Deputy County Counsel

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY, a public agency and joint powers authority**

Date: \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Charles V. Landry  
Executive Director

*Approved as to Form:*

Name:   
Best Best & Krieger LLP  
General Counsel

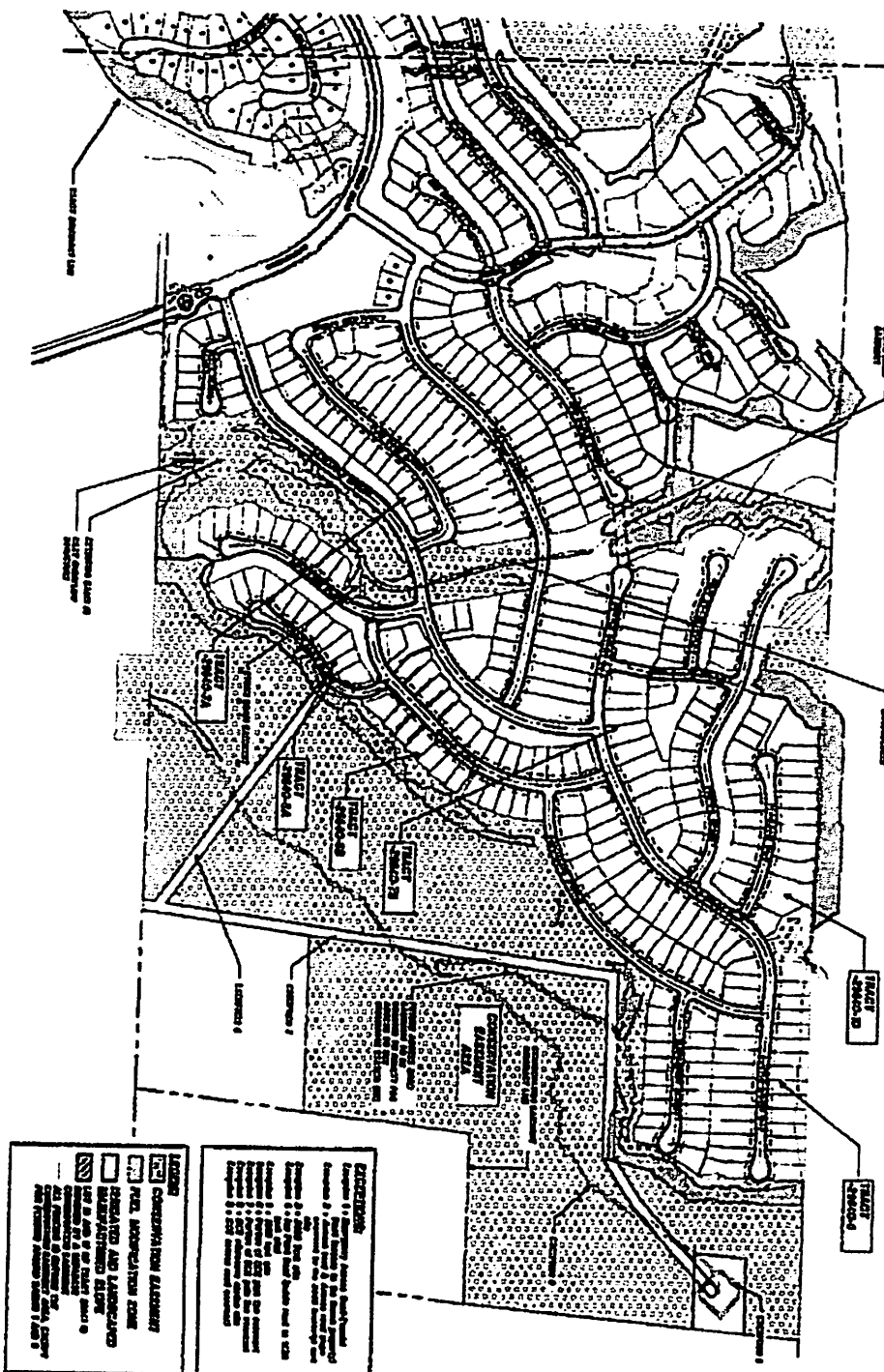
**EXHIBIT A  
PQP LANDS**

**LEGAL DESCRIPTION AND DEPICTION OF PROPERTY**

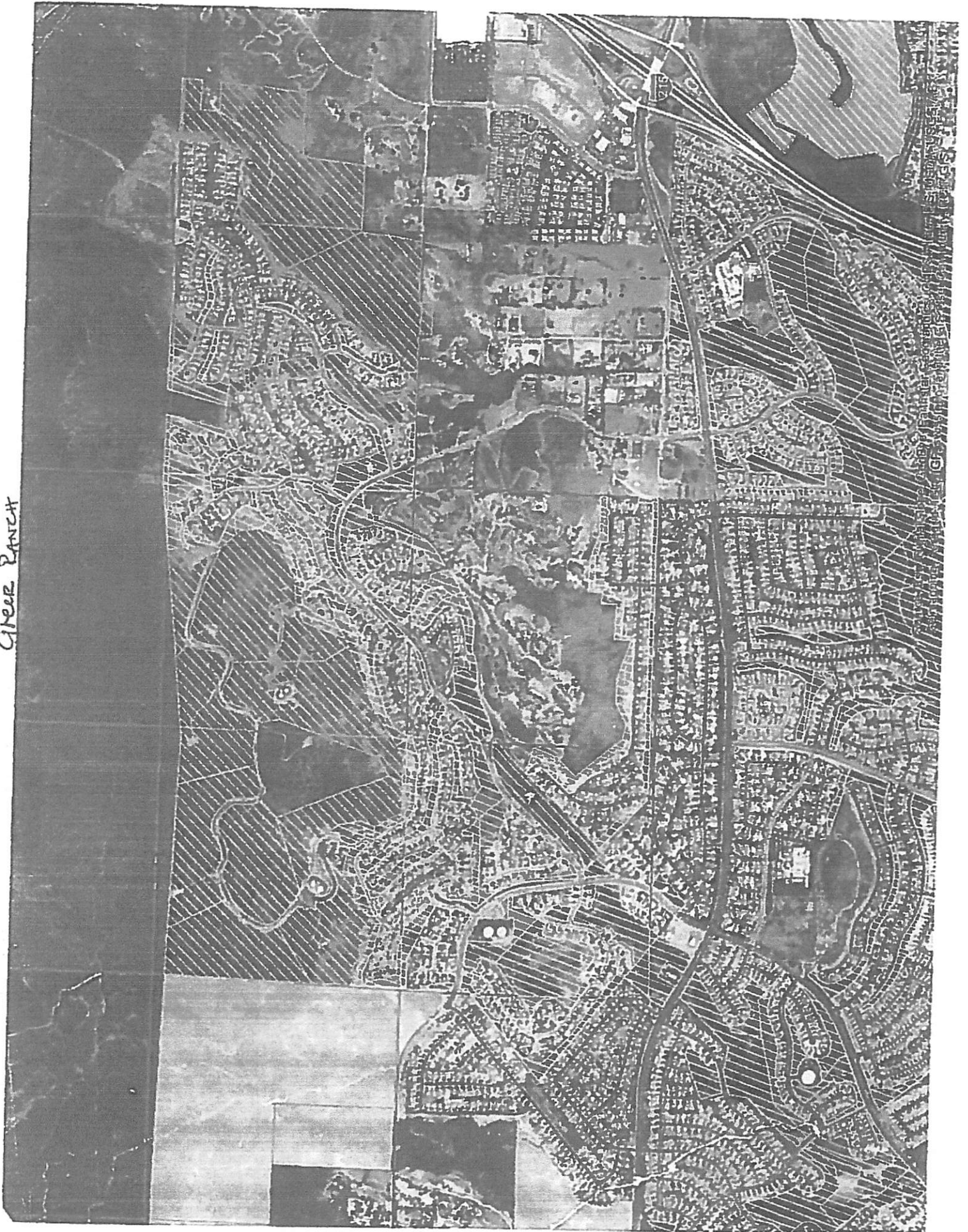
## **Greer Ranch Maps**



**CONSERVATION EASEMENT EXHIBIT**



Greer Ranch



# **CROP SWAP WATER AUDITS**

# **BOOT STRAP GRANT**



	A	B	C	D	
1	<b>CA RESOURCE CONSERVATION DISTRICT PERFORMANCE STANDARDS</b>				
2					
3	<b>RCD Name:</b>				
4					
5	<b>Tier 1 - Good Governance - Accreditation Form</b>				
6	<b>Applicability</b>	<b>Standard</b>	<b>✓ or NA*</b>	<b>Support Doc required</b>	
7	<b>Section 1 - Mandatory</b>	Annual Special Districts Financial Transactions Report to the State Controller's Office (SCO)	NA	No	
8		Annual Local Government Compensation Report to SCO	Need to check	No	
9		Ethics Training	STD	Yes	
10		Form 700 - Statement of Economic Interests	STD	Yes	
11		Independent Audit	Compilation / Review / Waiting for final	DONE	Yes
12		Director's Oath of Office	Stacy Only Left	DONE	Yes
13		Brown Act Agenda Requirements	DONE	Yes	
14		Statement of Facts filed with Secretary of State	DONE	Yes	
15		Conflict of Interest Code	DONE	Yes	
16		Reimbursement Policy	STD	Yes	
17		Nondiscrimination Policy	STD	Yes	
18		Annual Plan	Pending	Yes	
19		Long Range Plan	PENDING	Yes	
20		Public Records Request Policy	STD	Yes	
21		Annual Budget	DONE	Yes	
22		Sexual Harrasment Prevention Training -Directors and Required Staff	STD	Yes	
23		SB 272 Enterprise Systems Catalog posted to Website	DONE	Yes	
24		<b>Section 2 - If Applicable</b>	Sexual Harassment Literature provided to Employees	N/A	No
25			Payroll Taxes filed and paid	N/A	No
26			Reports and Information to Local Agency Formation Commission	N/A	No
27			Post all legally required notices in office	WEBSITE	No
28			Sales Taxes to Board of Equalization	N/A	Yes
29			Associate Director Policy	STD	Yes
30	Bidding Policy		STD	Yes	
31	Fee for Services Policy		STD	Yes	
32	Investment Policy		Update	Yes	
33	Reserve Policy		Update	Yes	
34	Volunteer Policy		STD	Yes	
35	Personnel Policy		N/A	Yes	
36	Vehicle Use Policy		N/A	Yes	
37	Workers' Compensation Insurance		N/A	Yes	
38	Liability Insurance		DONE	Yes	
39	Vehicle Insurance		N/A	Yes	
40	Premises Insurance		N/A	Yes	
41	Errors and Omissions Insurance	DONE	Yes		
42					
43	*NA can only be selected in the "Mandatory if Applicable" Section				
44	Please review the instruction document to determine what documentation is required. Attach an explanation detailing the reasons for any NA checks.				
45	By signing this I verify that the RCD has completed all of the above applicable requirements				
46					
47					
48	RCD President	Date signed			
49					
50	RCD District Manager				

**2016-2017 COMPILATION**  
**DRAFT**



January 18, 2018

To Rose Corona, President  
Temecula Elsinore Anza Murrieta Resource Conservation District

We are providing this letter in connection with your review of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the related notes to the financial statements, which collectively comprise the basic financial statements of TEAM RCD as of and for the fiscal year ended June 30, 2017, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of January 18, 2018, the following representations made to you during your review.

- 1) We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, as set out in the terms of the engagement.
- 2) We have made available to you all—
  - a) Financial records and related data.
  - b) Minutes of the meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of stockholders, directors, and committees of directors (or other similar bodies, as applicable).
  - c) Additional information you have requested from us for the purpose of the review.
  - d) Unrestricted access to company personnel from whom you determined it necessary to obtain review evidence.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) All material transactions have been recorded and have been properly reflected in the financial statements.
- 5) There are no uncorrected misstatements.
- 6) We acknowledge and have fulfilled our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 7) We acknowledge our responsibility for designing, implementing, and maintaining internal control to prevent and detect fraud.
- 8) We have no knowledge of any fraud or suspected fraud affecting the company involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect

P.O. Box 2078 ♦ Temecula, CA 92593-2078

Ph: 951-387-8992 ♦ [www.TEAMRCD.org](http://www.TEAMRCD.org)





on the financial statements, including any communications received from employees, former employees, or others.

- 9) We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 10) The following have been properly recorded or disclosed in the financial statements:
  - a) Related-party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
  - b) Guarantees, whether written or oral, under which the District is contingently liable to a bank or other lending institutions.
  - c) Commitments to purchase or sell investments or agreements to repurchase assets previously sold.
  - d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275 , *Risks and Uncertainties*.
- 11) There are no—
  - a) Known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b) Actual or possible claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, *Contingencies* .
  - c) Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies* .
- 12) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
- 13) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 14) We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
- 15) We are in agreement with the adjusting journal entries, if any, you have recommended, and they have been posted to the District's accounts.
- 16) No events have occurred subsequent to the date of the District's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.
- 17) We have responded fully and truthfully to all inquiries made to us by you during your review.
- 18) In regards to the financial statement preparation services performed by you, we have:
  - Assumed all management responsibilities.
  - Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience



- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**TEMECULA ELSINORE ANZA MURRIETA  
RESOURCE CONSERVATION DISTRICT**

**REPORT ON REVIEW OF  
FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
June 30, 2017**

# **TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

*For the Fiscal Year Ended June 30, 2017*

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## ***Financial Section***

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Board of Directors  
Temecula Elsinore Anza Murrieta Resource Conservation District  
Temecula, California

We have reviewed the accompanying financial statements of the governmental activities and each major fund of the Temecula Elsinore Anza Murrieta Resource Conservation District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-7 and 23 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. The information is the representation of management. We have not audited or reviewed such required supplementary information, and accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Murrieta, California  
\_\_\_\_\_, 2017

## TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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This discussion and analysis of Temecula Elsinore Anza Murrieta Resource Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$18,951, or 1.7% during the fiscal year.
- Governmental expenses were \$33,417, while total revenues were \$52,368.
- There were no additions to capital assets during the year and there were no depreciation expenses.

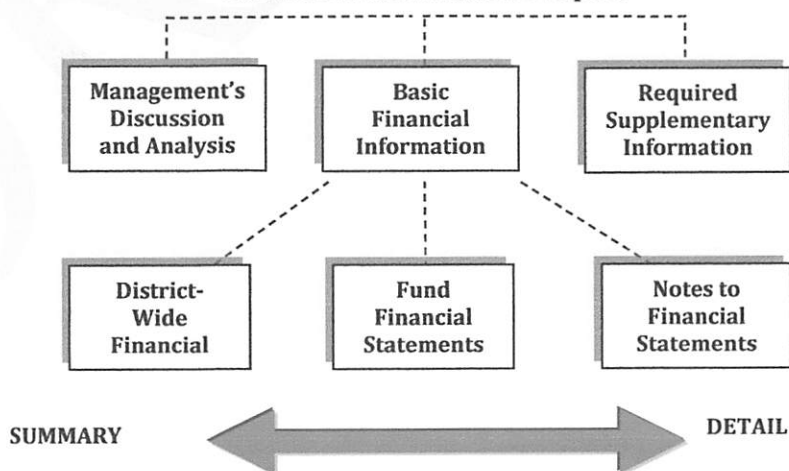
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of Elsinore Murrieta Anza Resource Conservation District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as the amount of building construction in the area, and the political climate affecting conservation.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as mitigation, public outreach and partnering with similar groups and agencies seeking to protect local watersheds.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants.

The District has two funds, the General Fund and Permanent Fund.

## **TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2017*

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#### **ORGANIZATION STRUCTURE**

The District was formed in 1949 under Public Resource Code Section 9074-9801 of the State of California. The District's mission is to promote conservation practices of natural resources, opportunities for public education and participation, and a sustainable quality of life for communities within the District. The District's territory includes 505,000 acres, or approximately 789 square miles, extending south from Scott Road in Menifee to the San Diego County line, and from the east of Anza west to the Orange County line. It also includes the loop around the north of Lake Elsinore. The District accepts many forms of mitigation to allow projects to run smoothly through the permitting process and promote a healthy environment for the respective communities.

#### **Board of Directors**

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Rose Corona	President
David Kuhlman	Vice President
Carol Lee Brady	Secretary/Treasurer
Michael W. Newcomb	Director
Judy Guglielmana	Director
Randy Feeney	Associate Director
Rick Neugebauer	Associate Director

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2017, than it was the year before - increasing to approximately \$1.13 million. (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2016</b>	<b>2017</b>	<b>Increase (Decrease)</b>
Current and other assets	\$ 401,255	\$ 390,478	\$ (10,777)
Capital assets	747,750	747,750	-
<b>Total assets</b>	<b>1,149,005</b>	<b>1,138,228</b>	<b>(10,777)</b>
<b>Total liabilities</b>	<b>36,584</b>	<b>6,856</b>	<b>(29,728)</b>
<b>Net position</b>			
Net investment in capital assets	747,750	747,750	-
Restricted	298,023	296,375	(1,648)
Unrestricted	66,648	87,247	20,599
<b>Total net position</b>	<b>\$ 1,112,421</b>	<b>\$ 1,131,372</b>	<b>\$ 18,951</b>

**Changes in net position, governmental activities.** The District's total revenues decreased 33.7% to \$52,368 (See Table A-2). The decrease is primarily due to lower number of water audits and no vegetation removal projects in the current year.

The total cost of all programs and services decreased 39.7% to \$33,417. The decrease is due to decrease in costs in relation to lower number of water audits and projects in the current year.

**Table A-2**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2016</b>	<b>2017</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program Revenues:			
SAWA stipends	\$ 36,925	\$ 21,532	\$ (15,393)
Water audits	32,750	15,500	(17,250)
Operating grants	-	14,934	14,934
General Revenues:			
Interest income	8,260	4,305	(3,955)
Other revenues	1,000	(3,903)	(4,903)
<b>Total Revenues</b>	<b>78,935</b>	<b>52,368</b>	<b>(26,567)</b>
<b>Expenses</b>			
Administrative expenses	15,077	6,681	(8,396)
Program expenses	39,019	26,736	(12,283)
Depreciation expense	1,367	-	(1,367)
<b>Total Expenses</b>	<b>55,463</b>	<b>33,417</b>	<b>(22,046)</b>
	<b>\$ 23,472</b>	<b>\$ 18,951</b>	<b>\$ (4,521)</b>

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**General Fund Budgetary Highlights**

While the District's final budget for the General Fund anticipated revenues would exceed expenditures by \$10,150, the actual results for the year show that revenues exceeded expenditures by \$20,599. Actual revenues were \$19,521 more than budgeted, and expenditures were \$6,817 more than planned.

**CAPITAL ASSETS**

By the end of 2016-17 the District had invested \$747,750 in capital assets, net of accumulated depreciation. (More detailed information about capital assets can be found in Note 5 to the financial statements). Capital assets are fully depreciated and there was no depreciation expense for the year.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District will continue to work with the communities of Lake Elsinore, Wildomar, Murrieta, Temecula, and Anza by providing education and mitigation services, protection of resources and the watershed through building stronger partnerships within the District's boundaries.

The District anticipates future revenue streams in partnership with the Santa Ana Watershed Association (SAWA), state grants and by accepting and monitoring new easements.

This and other factors were considered in preparing the Elsinore Murrieta Anza Resource Conservation District budget for the 2017-18 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rose Corona at [rose.corona@teamrcd.org](mailto:rose.corona@teamrcd.org).

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 175,057
Investments	202,255
Accounts receivable	13,166
Capital assets:	
Non-depreciable assets	747,750
Depreciable assets	9,570
Less, accumulated depreciation	<u>(9,570)</u>
Total assets	<u>1,138,228</u>
<b>LIABILITIES</b>	
Accounts payable	<u>6,856</u>
Total liabilities	<u>6,856</u>
<b>NET POSITION</b>	
Net investment in capital assets	747,750
Restricted for:	
Mitigation projects:	
Expendable	96,375
Non-expendable	200,000
Unrestricted	<u>87,247</u>
Total net position	<u>\$ 1,131,372</u>



**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

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	<b>Governmental Activities</b>
<b>Expenses:</b>	
Administrative	\$ 6,681
Program expense	<u>26,736</u>
Total program expenses	<u>33,417</u>
<b>Program revenues:</b>	
SAWA stipend income	21,532
Western turtle pond income	5,948
CropSwap income	8,840
Water audit income	15,500
Other revenues	<u>146</u>
Total program revenues	<u>51,966</u>
Net program income (expenses)	<u>18,549</u>
<b>General revenues and expenses:</b>	
Interest income	4,305
Unrealized loss on investments	<u>(3,903)</u>
Total general revenues and expenses	<u>402</u>
Change in Net Position	18,951
Net Position, Beginning of Year	<u>1,112,421</u>
Net Position, End of Year	<u><u>\$ 1,131,372</u></u>

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT****Balance Sheet****June 30, 2017**

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	<b>General Fund</b>	<b>Permanent Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 175,057	\$ -	\$ 175,057
Investments	-	202,255	202,255
Accounts receivable	13,166	-	13,166
	<u>13,166</u>	<u>-</u>	<u>13,166</u>
Total assets	<u>\$ 188,223</u>	<u>\$ 202,255</u>	<u>\$ 390,478</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,856	\$ -	\$ 6,856
	<u>6,856</u>	<u>-</u>	<u>6,856</u>
Total liabilities	<u>6,856</u>	<u>-</u>	<u>6,856</u>
<b>FUND BALANCE</b>			
Nonspendable	-	200,000	200,000
Restricted for:			
Mitigation projects:			
Expendable	96,375	2,255	98,630
Unrestricted	84,992	-	84,992
	<u>84,992</u>	<u>-</u>	<u>84,992</u>
Total fund balance	<u>181,367</u>	<u>202,255</u>	<u>383,622</u>
Total Liabilities and Fund Balance	<u>\$ 188,223</u>	<u>\$ 202,255</u>	<u>\$ 390,478</u>

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position*  
*For the Fiscal Year Ended June 30, 2017*

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**Total fund balances - governmental funds** \$ 383,622

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$757,320, and the accumulated depreciation is \$9,570. The difference is:

747,750

**Total net position - governmental activities**

\$ 1,131,372

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Permanent Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
SAWA stipend income	\$ 21,532	\$ -	\$ 21,532
Water audit income	15,500	-	15,500
CropSwap income	8,840	-	8,840
Western pond turtle income	5,948	-	5,948
Interest and investment income	2,050	2,255	4,305
Other revenues	146	-	146
<b>Total Revenues</b>	<b>54,016</b>	<b>2,255</b>	<b>56,271</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
<b>Administrative</b>			
Accounting	1,898	-	1,898
Membership dues	140	-	140
Travel	492	-	492
Postage	102	-	102
Printing	311	-	311
Insurance	1,249	-	1,249
Licenses & Permits	697	-	697
Website	900	-	900
Advertsing	20	-	20
Transcription	569	-	569
Office Supplies	303	-	303
Unrealized gain/loss on investments	-	3,903	3,903
<b>Operational</b>			
<b>Contract services:</b>			
Water audit expenses	7,460	-	7,460
Consulting	2,825	-	2,825
CropSwap management	9,825	-	9,825
Western turtle pond management	3,000	-	3,000
Biological Monitoring	3,626	-	3,626
<b>Total Expenditures</b>	<b>33,417</b>	<b>3,903</b>	<b>37,320</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>20,599</b>	<b>(1,648)</b>	<b>18,951</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	2,255	-	2,255
Interfund transfers out	-	(2,255)	(2,255)
<b>Total Other Financing Sources and Uses</b>	<b>2,255</b>	<b>(2,255)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>22,854</b>	<b>(3,903)</b>	<b>18,951</b>
<b>Fund Balances, beginning of year</b>	<b>158,513</b>	<b>206,158</b>	<b>364,671</b>
<b>Fund Balances, end of year</b>	<b>\$ 181,367</b>	<b>\$ 202,255</b>	<b>\$ 383,622</b>

The notes to financial statements are an integral part of this statement.

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Position  
For the Fiscal Year Ended June 30, 2017*

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*There were no differences between the total net change in fund balances-governmental funds  
and the change in net position of governmental activities.*

# **TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

## ***Notes to Financial Statements***

***June 30, 2017***

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### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

Temecula Elsinore Anza Murrieta Resource Conservation District (the "District") accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### **A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Temecula Elsinore Anza Murrieta Resource Conservation District, this includes the General and Permanent Funds.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### **B. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

##### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through developer fees.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

##### **Fund Financial Statements**

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2017*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation, Basis of Accounting (continued)**

**1. Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The District does not operate any proprietary funds.

**Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Permanent Fund:** This fund is used to account for principal and interest related to endowments paid to the District as part of easement agreements.

**2. Measurement Focus, Basis of Accounting**

**Government-Wide Financial Statements**

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 at the time liabilities are incurred, regardless of when the related cash flows take place.

**Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

**3. Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# **TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

## *Notes to Financial Statements*

*June 30, 2017*

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### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **C. Budgetary Data**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a tentative budget no later than July 1 and adopt a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption.

The District annually adopts a budget based on estimated revenues, estimated operation expenses, and capital expenditure requirements. The District's policy is to prepare its budgets on the modified accrual basis of accounting, which recognizes revenues when they are accrued, and expenses and capital assets are recorded as expenditures, and depreciation is not recorded.

#### **D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

#### **E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

##### **1. Cash**

The District's cash consists of cash on hand, demand deposits and short-term investments with original maturities of less than 90 days from the date of acquisition.

##### **2. Investments**

Investments consist of certificates of deposits with average maturity date of 90 days or more from the date of acquisition.

##### **3. Accounts Receivable**

Accounts receivables represent amounts due to the District as of fiscal year end from conservation services rendered and interest.

##### **4. Prepaids**

Prepaid expenses arise when the District has paid for an expense, but the corresponding goods or services have not been received at the end of the fiscal year.

##### **5. Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. The District does not currently define a threshold for capital assets. However, these assets are estimated to have an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are depreciated during the expected life of the asset on the straight-line method. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.



# TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 5. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Office Equipment	7 years

Depreciable assets were fully depreciated as of June 30, 2017.

##### 6. Unavailable Revenue

Unavailable revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unavailable revenue is removed from the combined balance sheet and revenue is recognized.

##### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that are reported as deferred inflows of resources.

##### 8. Fund Balance Reserves and Designations

Fund balance reporting for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie these fund balance classifications and therefore would not report amounts in all possible fund balance classifications.

**Nonspendable:** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, revolving cash, inventories, and prepaid amounts.

## TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

### Notes to Financial Statements

June 30, 2017

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

###### 8. Fund Balance Reserves and Designations (continued)

**Restricted:** Fund balances should be reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned:** Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

###### 9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

# TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

### NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported at fair value and consisted of the following:

Cash - Deposits with financial institutions	\$	175,057
Investments - Certificates of deposit		202,255
	\$	<u>377,312</u>

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. Cash balances in banks as of June 30, 2017, are fully insured by the Federal Depositary Insurance Corporation.

#### Cash and Investments

Cash and investments are reported at fair market value. The District considers certificates of deposit with a maturity date of 90 days or longer to be investments.

#### Authorized Investments

The investment policy adopted by the District is summarized as follows: "The District shall invest public funds in a manner which will safeguard principal, meet liquidity and achieve return on investments as referenced in government code section 53600.5."

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT****Notes to Financial Statements****June 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS (continued)****Authorized Investments (continued)**

All investments of the District shall conform to the requirements of applicable law and policy, whichever is more restrictive. The District is authorized to invest in the following:

<u>Permitted Investment/Deposits</u>	<u>Limit</u>	<u>Maximum Maturity/Duration</u>
U.S. Government Securities & Agencies	Unlimited	5 years
Federal Agency Sponsored Obligations	Unlimited	5 years
Register State Treasury Notes/Bonds	Unlimited	5 years
Certificates of Deposit	Unlimited	5 years
Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	30%	180 days
Prime Commercial Paper	25%	270 days
Local Agency Investment Fund	50 mm	5 years
Repurchase Agreements	20%	1 year
Reverse Repurchase Agreements	20%	92 days
Designated Mutual Funds	20%	N/A
Medium Term Notes	30%	5 years
California Asset Management Program	Unlimited	N/A
Mortgage-Backed Securities	20%	5 years
County Pooled Funds	Unlimited	N/A

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Maturities of investments as of June 30, 2017, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>	
		<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	<u>\$ 202,255</u>	<u>\$ -</u>	<u>\$ 202,255</u>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017, consisted of \$10,276 due from the Bear Creek Association and \$2,650 due from Rancho California Water District, in addition to \$240 from other sources.

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 4 – INTERFUND TRANSFERS**

The District transferred interest of \$2,255 from the Permanent Fund to the General Fund during the year.

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2017, is shown below:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	\$ 475,000	\$ -	\$ -	\$ 475,000
Greer Ranch easement	110,000	-	-	110,000
Adeline Farms easement	162,750	-	-	162,750
Total capital assets not being depreciated	747,750	-	-	747,750
Capital assets being depreciated:				
Machinery and equipment	9,570	-	-	9,570
Total capital assets being depreciated	9,570	-	-	9,570
Accumulated depreciation for:				
Machinery and equipment	(9,570)	-	-	(9,570)
Total capital assets being depreciated, net	-	-	-	-
Governmental activity capital assets, net	\$ 747,750	\$ -	\$ -	\$ 747,750

**Easements**

***Greer Ranch Community***

In March of 2009, the District executed an agreement with Lennar Greer Ranch Venture, LLC, granting a conservation easement, in perpetuity, over property known as “Greer Ranch Community”. The purpose of the Conservation Easement is to ensure the property will be preserved in a natural condition, in perpetuity, for gnatcatcher, vireo and other wildlife conservation, and to prevent, subject to the duties and rights retained by Grantor, any other use of the property that will impair or interfere with the conservation values of the property. The District is responsible for monitoring for compliance with this conservation easement and in-perpetuity, ongoing, long-term maintenance and management of the property.

***Adeline Farms***

In 2007, the District executed an agreement with Shea Homes Limited Partnership granting a conservation easement over property known as “Adeline Farms”. The purpose is to ensure the property will be retained in a natural condition and to prevent any use of the property that will impair or interfere with the conservation values of the property.

**NOTE 6 – CASH RESTRICTED FOR SPECIFIC PROGRAMS**

The District accepted funds from a series of private development projects in the Murrieta and Temecula areas, which need offsite mitigation credit for permanent impacts to U.S. wildlife, open spaces, and watershed lands that is deemed appropriate and acceptable by the resource and regulatory agencies of \$96,375 as of June 30, 2017.

**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 6 – CASH RESTRICTED FOR SPECIFIC PROGRAMS (continued)**

The District accepted endowment funds from Lennar Greer Ranch, LLC, a land developer, which will be used to maintain the Greer Ranch Conservation Easement associated with approximately 250 acres at Lennar's Greer Ranch residential community in the City of Murrieta, California in the amount of \$125,000.

The District accepted endowment funds from Shea Homes, a land developer, of which the income will be used, to maintain a conservation easement on the property marketed as "Adeline's Farm", in the vicinity of Washington Street and Benton Road, just west of Lake Skinner, in the French Valley area, in the amount of \$75,000.

**NOTE 7 – RISK MANAGEMENT**

The District is insured under a plan managed by the Special District Risk Management Authority for commercial general liability in the amount of \$2,500,000.

**NOTE 8 – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2017, have been evaluated through \_\_\_\_\_, 2017, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

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***Required Supplementary Information***

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**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
SAWA stipend income	\$ 21,000	21,532	\$ 532
Water audit income	12,950	15,500	2,550
Investment income	2,200	2,050	(150)
CropSwap income	-	8,840	8,840
Western pond turtle survey income	-	5,948	5,948
Other revenues	600	146	(454)
Total Revenues	36,750	54,016	17,266
<b>EXPENDITURES</b>			
Current:			
Administrative			
Accounting	150	398	(248)
Compilation	6,500	1,500	5,000
Membership dues	450	140	310
Other	-	512	(512)
Postage	-	102	(102)
Printing	-	311	(311)
Insurance	1,500	1,249	251
Licenses & Permits	200	697	(497)
Website	1,000	900	100
Transcription	1,050	569	481
Office Supplies	-	303	(303)
Operational			
Contract services:			
Water audit expenses	7,500	7,460	40
Consulting	750	2,825	(2,075)
CropSwap management	-	3,000	(3,000)
Western pond turtle management	-	9,825	(9,825)
Biological Monitoring	7,500	3,626	3,874
Total Expenditures	26,600	33,417	(6,817)
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	10,150	20,599	10,449
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	-	2,255	2,255
Total Other Financing Sources and Uses	-	2,255	2,255
Net Change in Fund Balances	10,150	22,854	12,704
Fund Balances, beginning of year	158,513	158,513	-
Fund Balances, end of year	\$ 168,663	\$ 181,367	\$ 12,704



**TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2017, the District incurred excess expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule, as follows:

Administrative	
Accounting	\$ 248
Other	512
Postage	102
Printing	311
Licenses & Permits	497
Office Supplies	303
Operational	
Contract services:	
Consulting	2,075
CropSwap management	3,000
Western pond turtle management	9,825