

**TEMECULA ELSINORE ANZA MURRIETA
RESOURCE CONSERVATION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021**

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TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

For the Fiscal Year Ended June 30, 2021

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Financial Section



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the General fund of Temecula Elsinore Anza Murrieta Resource Conservation District, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Temecula Elsinore Anza Murrieta Resource Conservation District as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance 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 management's discussion and analysis and budgetary comparison information 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 historic 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 a separate report dated December 15, 2021, on our consideration of the District'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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.



Murrieta, California
December 15, 2021

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2021

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, 2021. 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 \$116,613, or 8.66% during the fiscal year.
- In 2021, total revenues were \$212,712 and total expenses were \$96,099.
- There were no additions to capital assets during the year, and there was no depreciation expense.

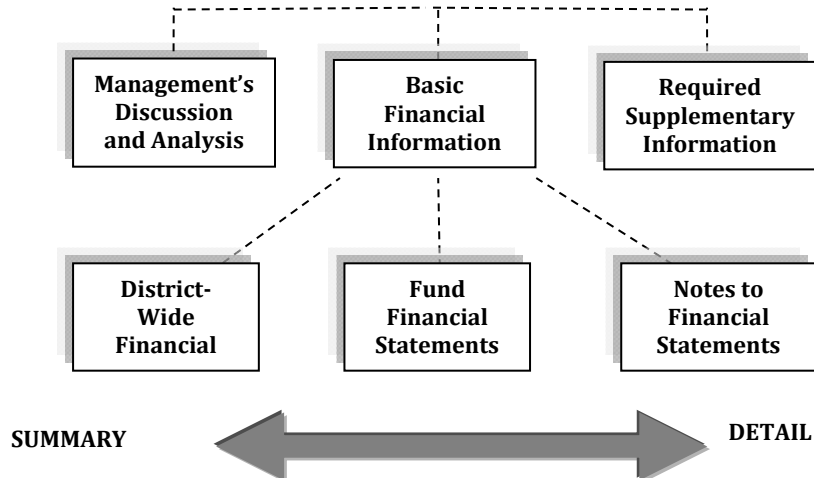
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Temecula Elsinore Anza Murrieta 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 (Unaudited)
For the Fiscal Year Ended June 30, 2021

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

Type of Statements	District-Wide	Governmental Funds
<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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<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

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

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 (Unaudited)
For the Fiscal Year Ended June 30, 2021

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

Rose Corona	President
Lisa Battiato	Vice President
Newt Parkes	Secretary/Treasurer
Teri Biancardi	Director
Randy Feeney	Director
Rick Neugebauer	Associate Director

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
ASSETS			
Current assets	\$ 335,791	\$ 210,975	\$ 124,816
Restricted assets	388,271	391,055	(2,784)
Capital assets	747,750	747,750	-
Total assets	1,471,812	1,349,780	122,032
LIABILITIES			
Current liabilities	8,711	3,292	5,419
Total liabilities	8,711	3,292	5,419
NET POSITION			
Investment in capital assets	747,750	747,750	-
Restricted	388,271	391,055	(2,784)
Unrestricted	327,080	207,683	119,397
Total net position	\$ 1,463,101	\$ 1,346,488	\$ 116,613

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before – increasing to \$1.463 million. (See Table A-1).

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
REVENUES			
Program revenues:			
Cropswap	\$ 22,950	\$ 2,750	\$ 20,200
SAWA stipends	17,450	10,053	7,397
RCFC pilot projects	157,715	120,250	37,465
Water audits	12,300	1,800	10,500
Grant revenue	-	9,647	(9,647)
Total program revenues	<u>210,415</u>	<u>144,500</u>	<u>65,915</u>
General revenues:			
Endowments	-	-	-
Investment earnings	2,297	8,193	(5,896)
Other revenues	-	-	-
Total general revenues	<u>2,297</u>	<u>8,193</u>	<u>(5,896)</u>
Total revenues	<u>212,712</u>	<u>152,693</u>	<u>60,019</u>
EXPENSES			
Program expenses	68,812	83,761	(14,949)
Administrative expenses	27,287	19,321	7,966
Total expenses	<u>96,099</u>	<u>103,082</u>	<u>(6,983)</u>
Change in net position	116,613	49,611	\$ 67,002
NET POSITION			
Beginning of year	<u>1,346,488</u>	<u>1,296,877</u>	<u>49,611</u>
End of year	<u>\$ 1,463,101</u>	<u>\$ 1,346,488</u>	<u>\$ 116,613</u>

Changes in net position, governmental activities. The District's total revenues increased 39.31% to \$212,712 (See Table A-2). The increase is primarily due to the increase in Cropswap and RCFC pilot projects income in fiscal year 2021.

The total cost of all programs and services decreased 6.77% to \$96,099. The increase is due to decreased program costs for the RCFC pilot projects.

General Fund Budgetary Highlights

While the District's adopted final budget for the General Fund anticipated revenues would exceed expenditures by \$20,242 the actual results for the year show that revenues exceeded expenditures by \$94,099. Actual revenues were \$165,840 more than budgeted, but expenditures were \$71,741 more than planned.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSETS

By the end of fiscal year 2021 the District had invested \$747,750 in capital assets. (More detailed information about capital assets can be found in Note 5 to the financial statements).

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 Temecula Elsinore Anza Murrieta Resource Conservation District budget for the 2021-22 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.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Statement of Net Position

June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents (Note 2)	\$ 311,667
Restricted – cash and cash equivalents (Note 2 and 6)	98,234
Restricted – investments (Note 2 and 6)	290,000
Restricted – accrued interest receivable (Note 6)	37
Accounts receivable (Note 3)	21,473
Prepaid Items	2,651
Capital assets – not being depreciated (Note 5)	<u>747,750</u>
Total assets	<u>1,471,812</u>
LIABILITIES	
Accounts payable and accrued expenses	<u>8,711</u>
Total liabilities	<u>8,711</u>
NET POSITION	
Investment in capital assets	747,750
Restricted for mitigation projects:	
Nonspendable (Note 6)	388,000
Expendable (Note 6)	271
Unrestricted	<u>327,080</u>
Total net position	<u>\$ 1,463,101</u>

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	<u>Governmental Activities</u>
EXPENSES	
Program expense	\$ 68,812
Administrative	27,287
Total program expenses	<u>96,099</u>
PROGRAM REVENUES	
CropSwap income	22,950
SAWA stipend income	17,450
RCFC pilot projects	157,715
Water audit income	12,300
Total program revenues	<u>210,415</u>
Net program income	<u>114,316</u>
GENERAL REVENUES	
Investment earnings	<u>2,297</u>
Total general revenues	<u>2,297</u>
Change in net position	116,613
NET POSITION	
Beginning of year	<u>1,346,488</u>
End of year	<u><u>\$ 1,463,101</u></u>

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 311,667	\$ -	\$ 311,667
Restricted – cash and cash equivalents	-	98,234	98,234
Restricted – investments	-	290,000	290,000
Restricted – accrued interest receivable	-	37	37
Accounts receivable	21,473	-	21,473
Prepaid Items	2,651	-	2,651
Total assets	<u>\$ 335,791</u>	<u>\$ 388,271</u>	<u>\$ 724,062</u>
LIABILITIES			
Accounts payable	\$ 8,711	\$ -	\$ 8,711
Total liabilities	<u>8,711</u>	<u>-</u>	<u>8,711</u>
FUND BALANCE (Note 7)			
Nonspendable	2,651	-	2,651
Restricted	-	388,271	388,271
Unassigned	324,429	-	324,429
Total fund balance	<u>327,080</u>	<u>388,271</u>	<u>715,351</u>
Total liabilities and fund balance	<u>\$ 335,791</u>	<u>\$ 388,271</u>	<u>\$ 724,062</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, 2021

Total fund balances - governmental funds	\$ 715,351
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:	<u>747,750</u>
Total net position - governmental activities	<u><u>\$ 1,463,101</u></u>

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
CropSwap income	\$ 22,950	\$ -	\$ 22,950
SAWA stipend income	17,450	-	17,450
RCFC pilot projects	157,715	-	157,715
Water audit income	12,300	-	12,300
Investment earnings	25	2,272	2,297
Total revenues	<u>210,440</u>	<u>2,272</u>	<u>212,712</u>
EXPENDITURES			
Operational:			
CropSwap management	9,040	-	9,040
Water audit expenses	4,915	-	4,915
RCFC pilot projects	54,857	-	54,857
Administrative:			
Accounting and audit/review	2,240	-	2,240
Bookkeeping	3,062	-	3,062
Bank charges	34	-	34
Computer systems	120	-	120
Consulting	4,767	-	4,767
Insurance	2,260	-	2,260
Legal	8,230	-	8,230
Licenses and permits	3,359	-	3,359
Membership dues	1,238	-	1,238
Office Supplies	203	-	203
Postage	185	-	185
Printing	80	-	80
Transcription	609	-	609
Website	900	-	900
Total expenditures	<u>96,099</u>	<u>-</u>	<u>96,099</u>
Excess of revenues over expenditures	114,341	2,272	116,613
OTHER FINANCING SOURCES(USES)			
Transfers in/(out) (Note 4)	5,056	(5,056)	-
Change in fund balances	119,397	(2,784)	116,613
FUND BALANCE			
Beginning of year	<u>207,683</u>	<u>391,055</u>	<u>598,738</u>
End of year	<u>\$ 327,080</u>	<u>\$ 388,271</u>	<u>\$ 715,351</u>

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, 2021*

*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, 2021

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.

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.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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.

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.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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. Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

As of June 30, 2021, the Organization has no depreciable assets.

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.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

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

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.

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.

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: investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- **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, 2021

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021, are reported on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Cash and cash equivalents	\$ 311,667
Restricted – cash and cash equivalents	98,234
Restricted – investments	290,000
Total cash and investments	\$ 699,901

Cash and investments at June 30, 2021, consisted of the following:

<u>Description</u>	<u>Balance</u>
Demand deposits with financial institutions	\$ 409,901
Certificates-of-deposit	290,000
Total cash and investments	\$ 699,901

Demand Deposits

At June 30, 2021, the carrying amount of the District's demand deposits was \$409,901 and the financial institution balance was \$410,947. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

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 Depository 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, 2021, are fully insured by the Federal Depository 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." All investments of the District shall conform to the requirements of applicable law and policy, whichever is more restrictive.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

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 and fair value of investments as of June 30, 2021, are as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>June 30, 2021</u>	<u>Maturity</u>
			<u>Fair Value</u>	<u>12 Months or Less</u>
Certificates-of-deposit	Level 2	N/A	\$ 290,000	\$ 290,000
Total investments			<u>\$ 290,000</u>	<u>\$ 290,000</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of the following:

<u>Customer</u>	<u>Balance</u>
Rancho California Water District	\$ 19,550
Santa Ana Watershed Association	1,923
Total accounts receivable	<u>\$ 21,473</u>

NOTE 4 – INTERFUND TRANSFERS

The District transferred interest earnings of \$5,066 used for operations from the Permanent Fund to the General Fund during the fiscal year.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2021, is shown below:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 475,000	\$ -	\$ -	\$ 475,000
Greer Ranch easement	110,000	-	-	110,000
Adeline Farms/Benton Channel easement	162,750	-	-	162,750
Total capital assets not being depreciated	<u>\$ 747,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,750</u>

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

Easements:

A. Greer Ranch Community

In October 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.

B. Adeline Farms/Benton Channel

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. In 2019, the easement name was changed to “Benton Channel”.

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 \$98,000 as of June 30, 2021.

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, the income from which will be used, to maintain a conservation easement on the property marketed as the Benton Channel, 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.

The District accepted endowment funds from Pulte Homes, a land developer, the income from which will be used, to maintain a conservation easement on the property marketed as the Benton Channel, in the vicinity of Washington Street and Benton Road, just west of Lake Skinner, in the French Valley area, in the amount of \$90,000.

Description	Endowment	Investment Earnings	Total
Private development projects	\$ 98,000	\$ 234	\$ 98,234
Lennar Greer Ranch, LLC	125,000	16	125,016
Shea Homes	75,000	10	75,010
Pulte Homes	90,000	11	90,011
Total restricted assets for specific programs	\$ 388,000	\$ 271	\$ 388,271

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 7 – FUND BALANCES

The District’s fund balances are designated as follows:

<u>Description</u>	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 2,651	\$ -	\$ 2,651
Restricted:			
Nonexpendable endowments	-	388,000	388,000
Expendable for mitigation projects	-	271	271
Total restricted	-	388,271	388,271
Unassigned	324,429	-	324,429
Total fund balances	<u>\$ 327,080</u>	<u>\$ 388,271</u>	<u>\$ 715,351</u>

NOTE 8 – 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 9 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 15, 2021, the date which the financial statements were available to be issued.

Required Supplementary Information

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
CropSwap income	\$ 8,000	\$ 22,950	\$ 14,950
SAWA stipend income	15,600	17,450	1,850
RCFC pilot projects	15,600	157,715	142,115
Water audit income	5,300	12,300	7,000
Grant revenue	-	-	-
Other revenue	-	-	-
Investment earnings	100	25	(75)
Total revenues	<u>44,600</u>	<u>210,440</u>	<u>165,840</u>
EXPENDITURES			
Operational:			
CropSwap management	2,880	9,040	(6,160)
Water audit expenses	1,908	4,915	(3,007)
RCFC pilot projects	4,200	54,857	(50,657)
Other contracts	100	-	100
Administrative:			
Accounting and audit/review	2,240	2,240	-
Bookkeeping	-	3,062	(3,062)
Bank charges	-	34	(34)
Computer systems	-	120	(120)
Consulting	5,200	4,767	433
Insurance	1,405	2,260	(855)
Legal	4,000	8,230	(4,230)
Licenses and permits	-	3,359	(3,359)
Membership dues	1,025	1,238	(213)
Office Supplies	-	203	(203)
Postage	-	185	(185)
Printing	-	80	(80)
Transcription	500	609	(109)
Website	900	900	-
Total expenditures	<u>24,358</u>	<u>96,099</u>	<u>(71,741)</u>
Excess of revenues over expenditures	20,242	114,341	94,099
OTHER FINANCING SOURCES(USES)			
Transfers in/(out)	6,600	5,056	(1,544)
Change in fund balances	<u>\$ 26,842</u>	119,397	<u>\$ 92,555</u>
FUND BALANCE			
Beginning of year		<u>207,683</u>	
End of year		<u>\$ 327,080</u>	

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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.

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General fund of Temecula Elsinore Anza Murrieta Resource Conservation District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Murrieta, California
December 15, 2021