

**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



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
January 17, 2018

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017

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.

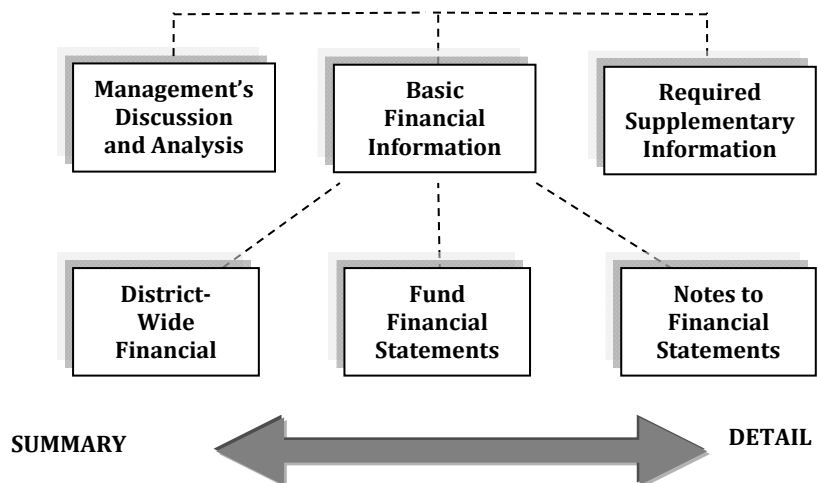
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 Assets • 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

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

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

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
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*

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

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

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

	Governmental Activities		Variance
	2016	2017	Increase (Decrease)
Revenues			
Program Revenues:			
SAWA stipends	\$ 36,925	\$ 21,532	\$ (15,393)
Water audits	32,750	15,500	(17,250)
Cropswap	-	8,840	8,840
Western pond turtle survey income	-	5,407	5,407
Other program revenues	-	687	687
General Revenues:			
Interest income	8,260	4,305	(3,955)
Other general revenues	1,000	-	(1,000)
Total Revenues	78,935	56,271	(22,664)
Expenses			
Administrative expenses	15,077	6,681	(8,396)
Program expenses	39,019	26,736	(12,283)
Depreciation expense	1,367	-	(1,367)
Unrealized loss on investments	-	3,903	3,903
Total Expenses	55,463	37,320	(18,143)
Net Increase (Decrease)	\$ 23,472	\$ 18,951	\$ (4,521)

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017*

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.

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

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

	<u>Governmental Activities</u>
Expenses:	
Administrative	\$ 6,681
Program expense	<u>26,736</u>
Total program expenses	<u>33,417</u>
Program revenues:	
SAWA stipend income	21,532
Western turtle pond income	5,407
CropSwap income	8,840
Water audit income	15,500
Other program revenues	<u>687</u>
Total program revenues	<u>51,966</u>
Net program income (expenses)	<u>18,549</u>
General revenues and expenses:	
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

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

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:

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

	General Fund	Permanent Fund	Total Governmental Funds
REVENUES			
SAWA stipend income	\$ 21,532	\$ -	\$ 21,532
Water audit income	15,500	-	15,500
CropSwap income	8,840	-	8,840
Western pond turtle income	5,407	-	5,407
Interest and investment income	2,050	2,255	4,305
Other program revenues	687	-	687
	<hr/>	<hr/>	<hr/>
Total Revenues	54,016	2,255	56,271
EXPENDITURES			
Current:			
Administrative			
Accounting	1,898	-	1,898
Membership dues	190	-	190
Travel	211	-	211
Postage	102	-	102
Printing	311	-	311
Insurance	1,249	-	1,249
Licenses & Permits	107	-	107
Website	900	-	900
Advertsing	20	-	20
Transcription	569	-	569
Office Supplies	303	-	303
Meetings	821	-	821
Unrealized gain/loss on investments	-	3,903	3,903
Operational			
Contract services:			
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
	<hr/>	<hr/>	<hr/>
Total Expenditures	33,417	3,903	37,320
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	20,599	(1,648)	18,951
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	2,255	-	2,255
Interfund transfers out	-	(2,255)	(2,255)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources and Uses	2,255	(2,255)	-
Net Change in Fund Balances	22,854	(3,903)	18,951
Fund Balances, beginning of year	158,513	206,158	364,671
	<hr/>	<hr/>	<hr/>
Fund Balances, end of year	\$ 181,367	\$ 202,255	\$ 383,622
	<hr/>	<hr/>	<hr/>

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

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

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

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

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

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.

As of June 30, 2017, 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.

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

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

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 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, 2017, 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."

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2017

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

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	<u>747,750</u>	<u>-</u>	<u>-</u>	<u>747,750</u>
Governmental activity capital assets	<u>\$ 747,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,750</u>

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.

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.

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 6 – CASH RESTRICTED FOR SPECIFIC PROGRAMS (continued)

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 January 17, 2018, the date at which the District’s audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

Required Supplementary Information

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
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	-	5,407	5,407
Other program revenues	600	687	87
	<u>36,750</u>	<u>54,016</u>	<u>17,266</u>
EXPENDITURES			
Current:			
Administrative			
Accounting	150	398	(248)
Compilation	6,500	1,500	5,000
Membership dues	450	190	260
Other	-	231	(231)
Postage	-	102	(102)
Printing	-	311	(311)
Insurance	1,500	1,249	251
Licenses & Permits	200	107	93
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
	<u>26,600</u>	<u>32,596</u>	<u>(5,996)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>10,150</u>	<u>21,420</u>	<u>11,270</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers	-	2,255	2,255
Total Other Financing Sources and Uses	<u>-</u>	<u>2,255</u>	<u>2,255</u>
Net Change in Fund Balances	10,150	23,675	13,525
Fund Balances, beginning of year	<u>158,513</u>	<u>158,513</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 168,663</u>	<u>\$ 182,188</u>	<u>\$ 13,525</u>

TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017*

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