

**SUBMITTAL TO THE FLOOD CONTROL AND WATER CONSERVATION DISTRICT BOARD
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

133B



FROM: General Manager-Chief Engineer

SUBMITTAL DATE:
January 11, 2011

SUBJECT: Comprehensive Annual Financial Report for Fiscal Year 2009-2010

RECOMMENDED MOTION:

- 1) Accept and file the Comprehensive Annual Financial Report for Fiscal Year 2009-2010 prepared by District staff.
- 2) Accept and file the Independent Accountant's Report prepared by Teaman, Ramirez & Smith, Inc.
- 3) Accept and file the Report on Internal Control prepared by Teaman, Ramirez & Smith, Inc.
- 4) Accept and file the Audit Committee Letter prepared by Teaman, Ramirez & Smith, Inc.

BACKGROUND:

This District prepared the Comprehensive Annual Financial Report for submission to the Government Finance Officers Association, the Board of Supervisors and the citizens served by the District. The report includes the District's financial statements audited by Teaman, Ramirez & Smith, Inc., statistical information, and other pertinent data.

Attachments

RLN:mc

Warren D. Williams
WARREN D. WILLIAMS
 General Manager-Chief Engineer

FINANCIAL DATA	Current F.Y. District Cost:	\$0.00	In Current Year Budget:	N/A
	Current F.Y. County Cost:	\$0.00	Budget Adjustment:	N/A
	Annual Net District Cost:	\$0.00	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30
Requires 4/5 Vote

C.E.O. RECOMMENDATION:

APPROVE

BY: *Michael R. Shetter*
 Michael R. Shetter

County Executive Office Signature

MINUTES OF THE FLOOD CONTROL AND WATER CONSERVATION DISTRICT

On motion of Supervisor Benoit, seconded by Supervisor Stone and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Stone, Benoit and Ashley
 Nays: None
 Absent: Tavaglione
 Date: January 11, 2011
 xc: Flood

Kecia Harper-Ihem
 Clerk of the Board
 By: *Kecia Harper-Ihem*
 Deputy

Prev. Agn. Ref.:

District: All

Agenda Number:

11.4
(Master P8\83282)

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

FISCAL OFFICER APPROVED
 (KIM M. CHAMBERLAIN, FINANCIAL DIRECTOR)
Kim Chamberlain
 BY:

Departmental Concurrence

Policy
 Policy
 Consent
 Consent
 Dep't Recomm.:
 Per Exec. Ofc.:

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Bridge Entrance at the Dam



“Seven Oaks Dam”

*Riverside County Flood Control
And Water Conservation District
(A Component Unit of the County of Riverside)
Riverside, California*

JAN 11 2011 11.4



*Riverside County Flood Control
And Water Conservation District
(A Component Unit of the County of Riverside)
Riverside, California*

*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010*

Spill Way (front-view)



"Seven Oaks Dam"

*Submitted by:
Warren D. Williams
General Manager-Chief Engineer

Ivan M. Chand
Finance Director*

Riverside County Flood Control and Water Conservation District
Comprehensive Annual Financial Report
Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - iii
District Officials	iv
Organizational Chart	v
Certificate of Achievement for Excellence in Financial Reporting	vi
FINANCIAL SECTION	
Independent Auditors' Report	I
Management's Discussion and Analysis	2 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17 - 19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21 - 23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Assets and Liabilities - Agency Funds	28
Notes to Financial Statements	29 - 48
Required Supplementary Information:	
Schedule of Funding Progress for PERS	49
Notes to Required Supplementary Information	50
General Fund	51
Budgetary Comparison Schedules:	
General Fund	52
Special Revenue Funds	53
Zone 1 Special Revenue Fund	54
Zone 2 Special Revenue Fund	55
Zone 3 Special Revenue Fund	56
Zone 4 Special Revenue Fund	57
Zone 5 Special Revenue Fund	58
Zone 6 Special Revenue Fund	59
Zone 7 Special Revenue Fund	60
NPDES Whitewater Special Revenue Fund	61
NPDES Santa Ana Special Revenue Fund	62
NPDES Santa Margarita Special Revenue Fund	63

Riverside County Flood Control and Water Conservation District
Comprehensive Annual Financial Report
Year Ended June 30, 2010

TABLE OF CONTENTS - Continued

	<u>PAGE</u>
Supplementary Information:	
Capital Project Fund	64
Budgetary Comparison Schedule - Flood Control Capital Project Fund	65
Non-Major Enterprise Funds	66
Combining Statement of Fund Net Assets	67
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	68
Combining Statement of Cash Flows	69
Internal Service Funds:	70
Combining Statement of Fund Net Assets	71 - 72
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	73 - 74
Combining Statement of Cash Flows	75 - 76
Agency Funds	77
Combining Statement of Changes in Assets and Liabilities	78 - 79
 STATISTICAL SECTION	
Net Assets by Component	80 - 81
Changes in Net Assets	82 - 83
Governmental Activities Tax Revenues by Source	84
Fund Balances of Governmental Funds	85 - 86
Changes in Fund Balances of Governmental Funds	87 - 88
General Governmental Tax Revenues by Source	89
Assessed Value and Estimated Actual Value of Taxable Property	90 - 91
Property Tax Rates Direct and Overlapping Governments	92
Principal Property Taxpayers	93
Property Tax Levies and Collections	94
Ratios of Outstanding Debt by Type	95
Ratios of General Bonded Debt Outstanding	96
Direct and Overlapping Governmental Activities Debt	97
Legal Debt Margin Information	98
Pledged-Revenue Coverage	99
Demographic and Economics Statistics	100 - 101
Principal Employers	102
Full-Time Equivalent Government Employees by Function	103
Operating Indicators by Function	104
Capital Asset Statistics by Function	105



RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

December 22, 2010

To the Members of the Board of Supervisors and Citizens served by the Riverside County Flood Control and Water Conservation District:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. The Riverside County Flood Control and Water Conservation District (the District) is a blended component unit of the County of Riverside, California. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Teaman, Ramirez & Smith, Inc., Certified Public Accountants, have issued an unqualified ("clean") opinion on the District's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's discussion and analysis complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The District, formed in 1945 by an Act of the State Legislature, is located in the southern part of the state within the County of Riverside, which is the fifth fastest growing large county in the nation over the last nine years. The District currently occupies 2,700 square miles and serves a population of approximately 1.8 million. The District is divided into seven geographic zones and is empowered to levy property or special assessment tax on both real and personal property located within the boundaries of each zone. Taxes collected within each zone must be spent for flood control projects within, or proportionally beneficial to, that zone.

The County of Riverside, Board of Supervisors, ex officio, has been the District's governing body since 1945. Policy making and legislative authority are vested in the Board consisting of five members elected on a non-partisan basis. Board members serve staggered four-year terms with member seats being open for election on an alternating basis. The Board of Supervisors appoints the District's General Manager-Chief Engineer, who in turn appoints the heads of the various divisions within the District. Additionally, the Board of Supervisors appoints three Zone Commissioners to each zone. The Zone Commissioners act as an advisory body to the Board of Supervisors by prioritizing the need for new flood control facilities within a zone based on requests from citizens, cities and other agencies within the zone boundaries and making budget recommendations for new or pending projects in the upcoming fiscal year.

The District provides a full range of services including the design and construction of flood control facilities; regulatory services which fulfill legal requirements associated with federal and state programs that relate to District activities; surveying and mapping services; planning services that relate to land development and provide for the public's health and safety by contributing to orderly development and growth within the County of Riverside; the operations and maintenance of the District's fleet and facilities, land interests, and encroachment issues; information technology services which provide technical support to the District's staff; and administrative services which provide clerical, financial and personnel support to the District's staff.

The Board of Supervisors is required to adopt by resolution a final budget for the County of Riverside, including all districts, agencies and authorities governed by the Board of Supervisors, by no later than October 2 of each year pursuant to Sections 29080 through 29092 of the Government Code. The Board of Supervisors adopted the District's 2010 fiscal year budget on June 30, 2009. The annual budget serves as the foundation for the District's financial planning and control. The District's budget is prepared by fund and class or appropriation level (e.g. salaries and benefits, services and supplies) within each category present on the financial statements. The District may transfer resources between appropriation levels within the same fund at their discretion and with approval by the County of Riverside, Executive Office. Increase of resources or establishment of a new appropriation level requires approval by the Board of Supervisors.

Local Economy

The District oversees the western portion of the County of Riverside which includes twenty six cities and unincorporated county communities west of the San Jacinto and Santa Rosa Mountains. The County of Riverside is California's fourth largest populated county according to the State Department of Finance. It represents 5.5 percent of California's total population.¹ The County of Riverside is part of a larger area known as Southern California's Inland Empire. Riverside and San Bernardino counties comprise what is commonly known as the Inland Empire. It is approximately 60 miles from north to south and some 50 miles wide. Major industries located within the County of Riverside include government, retail trade, general manufacturing of medical devices, educational and health services, leisure and hospitality, and construction.

In 2010, the Inland Empire faced its slowest recovery since the 1930s. Similar to other areas of the country, Riverside County has been going through the recession with a very high level of unemployment. From January to May 2010, the Inland Empire's economy has grown but even less than the overall state, adding 3,700 jobs including census workers. It has thus regained 2.6 percent of the 140,200 jobs lost in 2008-2009. Its unemployment rate peaked at 15.0 percent in January and March 2010 and was still 13.9 percent in May.² Construction has been the key economic difficulty. Historically, this sector has provided significant local employment and brought billions of dollars into the region. Since June 2006, construction jobs fell to a low of 57,100 jobs in February 2010. That is a decrease of 74,500 jobs or 56.6 percent. From February to May 2010, construction has gained 1,000 jobs compared to losing 200 jobs during that same period last year.

During the past ten years, the District's expenses related to the construction and maintenance of flood control facilities have not only increased in amount, but have also increased as a percentage of total expenses (a ten-year increase of 199.2 percent and a ten-year increase of 20.5 percent, respectively). The reason for this increase in construction and maintenance costs as a percentage of total expenses is due to the increase of total expenses by 108.5 percent over a ten year period. Maintenance costs for the current fiscal year ended have increased by less than 1.0 percent when compared to the prior year. With the fluctuation of the economy, the District continues to follow a moderate construction schedule. The District's practice has been to accumulate monies for large projects, while maintaining a prudent reserve for operations and maintenance.

During this same ten-year period, charges for services, while continuing to vary in amount, have actually decreased as a percentage of total revenue (a ten-year decrease of 6.8 percent). The reason for this relative decline is the relative decrease in expenses related to development and construction that are not supported by contributions from other entities.

Long-term Financial Planning

Timely project development is facilitated by the District's five-year Capital Improvement Plan (CIP) which provides a long-range plan for funding of designated flood control and drainage infrastructure projects. The CIP details revenues and expenditures anticipated for each project for a five-year period. The CIP is an internal document and is provided as information in the District's annual budget. The CIP does not contain all projects that need to be completed rather those that will be initiated during the prescribed five-year period.

Relevant Financial Policies

The District's cash and investments, stated at fair value, are on account with and pooled with other governmental agencies by the County of Riverside Treasurer for the purpose of increasing income through investment activities. U.S. Bank Corporate Trust Services serves as the District's fiscal agent for special assessment debt and cash reserves. See *Note 2* in the *Notes to Financial Statements* section of this report for more detailed information.

¹ Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percentage Change – January 1, 2009 and 2010. Sacramento, CA, May 2010

² Source: Inland Empire Quarterly Economic Report, July 2009

Major Initiatives

The District completed plans and specifications to construct a Low Impact Development (LID) retrofit project that will convert the District's Market Street campus into a regional example of green development concepts. The upgraded facility will be used as a regional "green" training center for municipal employees, developers, engineers, and contractors throughout the Inland Empire and Orange County. Currently, there are limited locations and opportunities to demonstrate the proper application of LID Best Management Practices (BMP). This facility is uniquely designed to accomplish both demonstration and effectiveness monitoring of various LID measures. This project is intended to facilitate the support and implementation of LID BMPs by municipalities and developers. This project will be under construction in early 2011.

This LID retrofit project includes landscaping which will incorporate design elements, materials, and vegetation and maintenance practices consistent with *Board Policy H-25, Water Efficient Landscape Policy for County Facilities*. This landscape includes drought-tolerant, California native plants and will set the standard for water conservation landscape. This conversion of our campus at Market Street into a LID, BMP Demonstration and Monitoring Facility is being partially funded by a \$475,000 State grant under Proposition 50 and will be administered through Santa Ana Watershed Project Authority. The grant partially funds the conversion of a portion of the existing parking areas in the back half of our compound to porous pavement, redirects roof runoff to planter boxes, and adds additional bio-swales or rain gardens serving portions of the remaining impervious parking areas. The grant will also fund long-term monitoring of the performance of the features constructed under the grant so that meaningful data can be gathered to guide future design in the arid Southwest.

Further, the following District-administered flood control project contracts were completed or were under construction at the end of the current fiscal year:

<u>Facilities</u>	<u>Projected Construction Cost</u>
Calimesa – Avenue L Storm Drain Stage 1	\$2.5 million
Monroe MDP – Monroe Basin Rehabilitation	\$200,000
Belltown - Market Street Storm Drain stage 1 and Lines A, B & B1	\$6 million
Palm Canyon Wash Levee & Channel Restoration	\$840,000
Menifee – Hawthorne Ave. Storm Drain Stage 1	\$1.5 million

Awards and Acknowledgements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the nineteenth consecutive year that the District published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration divisions. We wish to express our appreciation to all members of the District who assisted and contributed to the preparation of this report. A special thanks to Jeanine Rey-Hawkins, Assistant Finance Director and Regina Neal, Principal Accountant for their efforts in the preparation of this report. Credit must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Warren D. Williams
General Manager-Chief Engineer



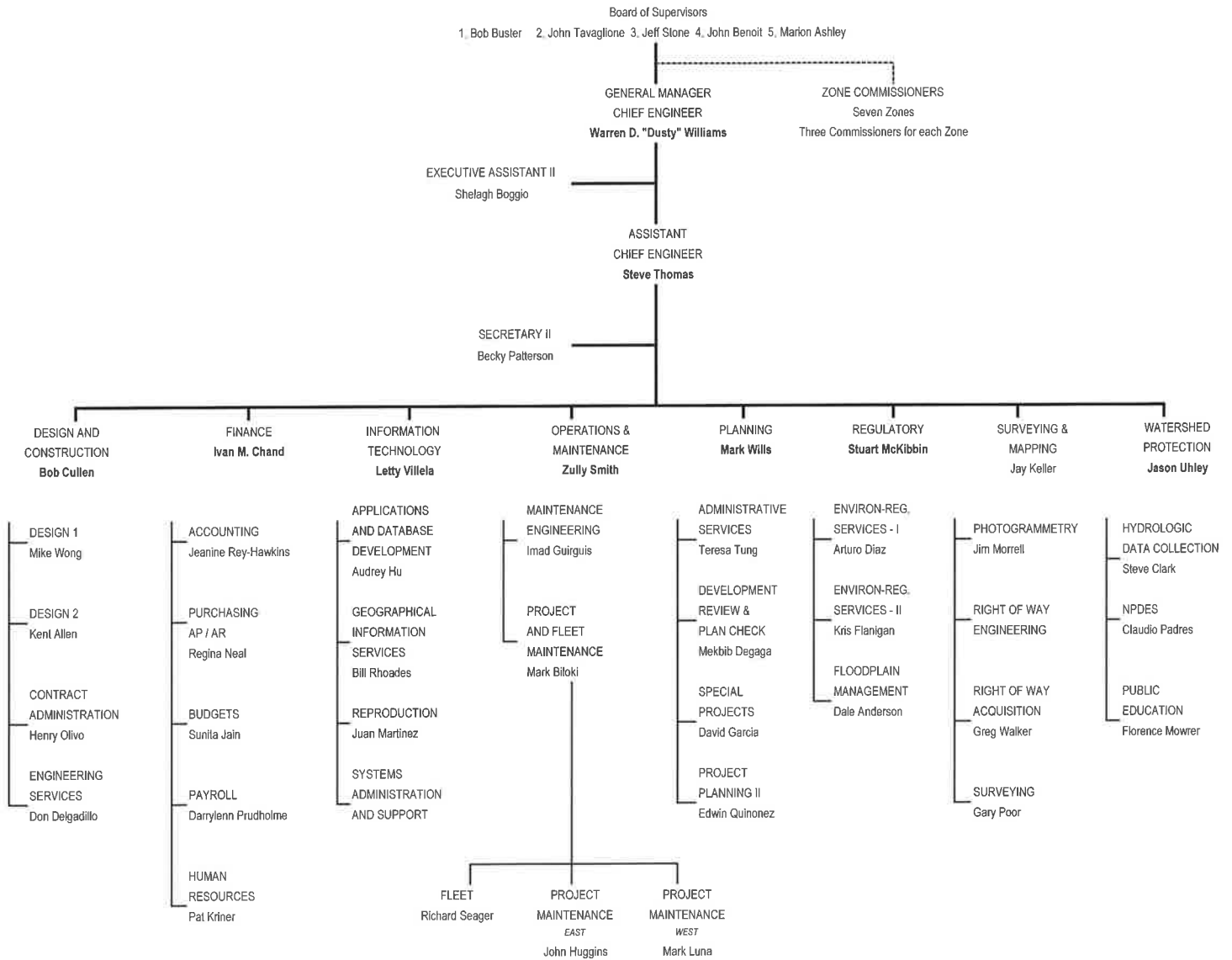
Ivan M. Chand
Finance Director

**RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

List of Principal Officials

TITLE	NAME
Board of Supervisors	Bob Buster, 1 st District
Board of Supervisors	John Tavaglione, 2 nd District
Board of Supervisors	Jeff Stone, 3 rd District
Board of Supervisors	John Benoit, 4 th District
Board of Supervisors	Marion Ashley, District Chair, 5 th District
General Manager-Chief Engineer	Warren D. Williams
Assistant Chief Engineer	Stephen C. Thomas
Chief of Design & Construction	Bob Cullen
Chief of Operations & Maintenance	Zully Smith
Chief of Planning	Stuart E. McKibbin
Chief of Regulatory	Mark Wills
Chief of Surveying & Mapping	Jay Keller
Chief of Watershed Protection	Jason Uhley
Finance Director	Ivan M. Chand
Information Technology Officer	Leticia G. Villela

RIVERSIDE COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Riverside County Flood Control
and Water Conservation District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".
Executive Director

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District (the District), a component unit of the County of Riverside, California (the County), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the financial statements present only the District and are not intended to present fairly the financial position and results of operations of the County of Riverside in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District, a component unit of the County of Riverside, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *introductory section*, *supplementary schedules*, and *statistical section*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The *introductory section* and *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Teaman Ramirez & Smith, Inc.

December 22, 2010

-This page intentionally left blank-

Management's Discussion and Analysis

As management of the Riverside County Flood Control and Water Conservation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – iii of this report. All monetary amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- ◆ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$979,062 (*net assets*). Of this amount, \$18,466 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- ◆ The District's total net assets increased by \$36,700. Approximately 43 percent of this increase is attributable to the addition of donated capital assets i.e. infrastructure and land.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$242,280, an increase of \$13,197 in comparison with the prior year. Approximately 99 percent of this total amount, \$241,085, is *available for spending* at the District's discretion (*unreserved, undesignated fund balance*).
- ◆ At the end of the fiscal year, unreserved, undesignated fund balance for the general fund was \$3,518, or 75 percent of total general fund expenditures.
- ◆ The District had no debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and public ways and facilities. The business-type activities of the District include subdivision operations, photogrammetry operations and encroachment permits.

The government-wide financial statements can be found on pages 14 – 16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources*, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the special revenue funds, both of which are considered to be major funds and for the capital project fund, a nonmajor fund.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 – 24 of this report.

Proprietary funds. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses *enterprise funds* to account for its subdivision, photogrammetry and encroachment permit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its hydrology, garage, project maintenance, mapping services and data processing. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the subdivision operation, which is considered to be a major fund of the District. Data from the other two enterprise funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Conversely, the five internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its proprietary funds.

The basic proprietary fund financial statements can be found on pages 25 – 27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 28 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 – 48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49 – 63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 67 – 76 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$979,062 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (74 percent) reflects its investment in capital assets (e.g. land and easements, buildings and improvements, infrastructure, and equipment). The District uses these capital assets to provide services to prevent and to protect citizens from flooding within the District's zone boundaries; consequently, these assets are *not* available for future spending.

District's Net Assets

	Governmental Activities			Business-type Activities			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Current and Other Assets	\$267,366	\$249,891	\$226,884	\$ 6,964	\$ 6,779	\$ 8,236	\$274,330	\$256,670	\$235,120
Capital Assets, Net	723,372	704,139	658,848	13	36	39	723,385	704,175	658,887
Total Assets	990,738	954,030	885,732	6,977	6,815	8,275	997,715	960,845	894,007
Long-term Liabilities									
Outstanding	3,768	3,032	2,481	72	108	252	3,840	3,140	2,733
Other Liabilities	11,373	12,363	18,786	3,440	2,980	4,698	14,813	15,343	23,484
Total Liabilities	15,141	15,395	21,267	3,512	3,088	4,950	18,653	18,483	26,217
Net Assets:									
Invested in Capital Assets, Net of Related Debt	723,372	704,139	658,848	13	36	39	723,385	704,175	658,887
Restricted	237,211	223,886	195,493	-	-	-	237,211	223,886	195,493
Unrestricted	15,014	10,610	10,124	3,452	3,691	3,286	18,466	14,301	13,410
Total Net Assets	\$975,597	\$938,635	\$864,465	\$ 3,465	\$ 3,727	\$ 3,325	\$979,062	\$942,362	\$867,790

An additional portion of the District's net assets (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$18,466) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$13,325 in restricted net assets reported in connection with the District's governmental activities. Property tax revenues account for approximately 68 percent of total revenues which contribute to the majority of growth in restricted net assets. In comparison to the prior year, the positive change in restricted net assets decreased by approximately 53 percent (\$15,068) due to declining property values and increased foreclosures within the District's zone boundaries as well as declining economic activity within the County of Riverside. Overall revenues decreased (\$11,448) due primarily to decreases in property tax and redevelopment revenues (\$5,549), charges for services (\$3,832), area drainage plan fees (\$338), revenue from sale or lease of land (\$1,238) and investment income (\$3,318). These decreases were offset by slight increases in special assessment revenues (\$262) and intergovernmental revenues (\$150) as well as by contributions from developers for the purchase of land by the District to construct future flood control improvements (\$2,415). Additionally, expenditures increased (\$3,299) due largely in part to increases in construction costs of flood control facilities in Zones 1 and 5 (\$6,779) and contributions to other governmental agencies for construction of flood control facilities (\$1,349) as well as increased professional services costs for a cost sharing project in zone 2 (\$3,722). These increases in costs were offset by reductions in Zone 4 expenses related to engineering services and construction of flood control facilities (\$5,103).

The District's net assets increased by \$36,700 during the current fiscal year. Approximately 75 percent of this increase represents the degree to which increases in ongoing revenues e.g., property tax revenues and charges for services, have outstripped similar increases in ongoing expenses. The remainder of this growth is attributable to the growth in net assets invested in capital assets, specifically, donations of capital assets (infrastructure and land).

Governmental activities. Governmental activities increased the District's net assets by \$36,962, thereby accounting for 100 percent of the total growth in net assets of the District. Key elements of the increase are as follows:

District's Changes in Net Assets

	Governmental Activities			Business-type Activities			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Revenues:									
Program Revenues:									
Charges for Services	\$ 6,364	\$ 14,829	\$ 9,018	\$ 1,436	\$ 3,026	\$ 4,661	\$ 7,800	\$ 17,855	\$ 13,679
Capital Grants and Contributions	21,538	45,798	23,565	-	-	-	21,538	45,798	23,565
General Revenues:									
Property Taxes	46,280	55,791	56,791	-	-	-	46,280	55,791	56,791
Redevelopment Pass-thru	8,111	-	-	-	-	-	8,111	-	-
Unrestricted Interest and Investment Earnings	2,324	5,835	8,349	82	199	332	2,406	6,034	8,681
Gain on Sale of Capital Assets	42	1,289	(161)	-	-	-	42	1,289	(161)
Total Revenues	84,659	123,542	97,562	1,518	3,225	4,993	86,177	126,767	102,555
Expenses:									
General Government	5,928	9,660	9,195	-	-	-	5,928	9,660	9,195
Public Ways and Facilities	41,769	39,712	35,384	-	-	-	41,769	39,712	35,384
Subdivision Operations	-	-	-	1,520	2,340	3,833	1,520	2,340	3,833
Photogrammetry Operations	-	-	-	93	246	202	93	246	202
Encroachment Permits	-	-	-	167	237	135	167	237	135
Total Expenses	47,697	49,372	44,579	1,780	2,823	4,170	49,477	52,195	48,749
Increase (Decrease) in Net Assets before Transfers	36,962	74,170	52,983	(262)	402	823	36,700	74,572	53,806
Transfers	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	36,962	74,170	52,983	(262)	402	823	36,700	74,572	53,806
Net Assets – 7/01/09	938,635	864,465	811,482	3,727	3,325	2,502	942,362	867,790	813,984
Net Assets – 6/30/10	\$975,597	\$938,635	\$864,465	\$ 3,465	\$ 3,727	\$ 3,325	\$979,062	\$942,362	\$867,790

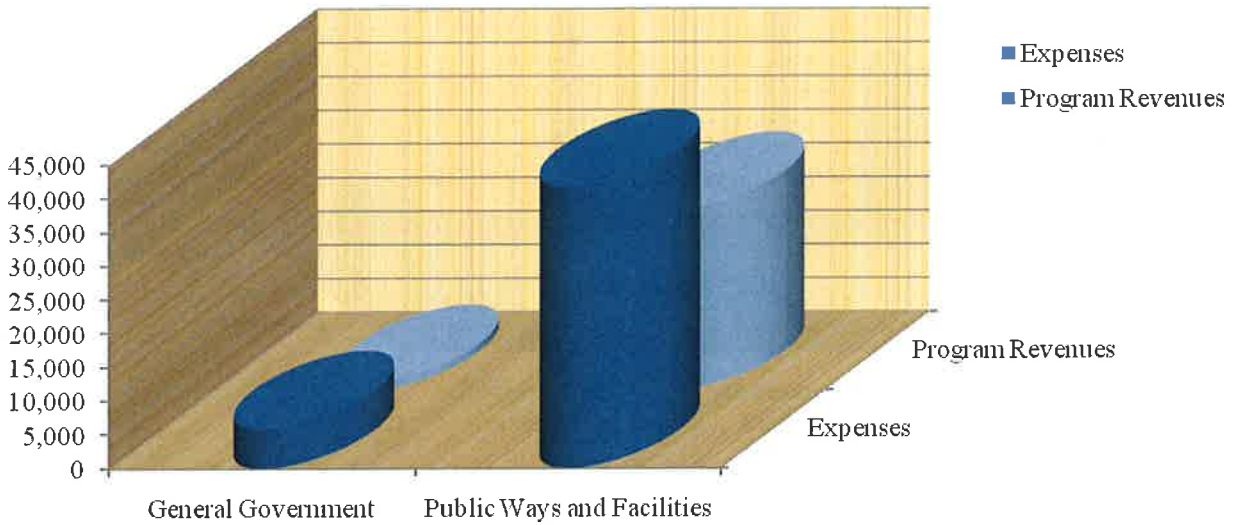
◆ Historically, revenues have exceeded expenses by approximately 2.1 to 2.5 percent in a given fiscal year. This year was no exception. Overall revenues decreased by \$38,883 (31 percent) during the year due to a declining economy but continued to exceed expenses by \$36,962 (1.8 percent).

For the most part, increases and decreases in expenses closely paralleled inflation and growth in the demand for services. Noteworthy exceptions include the following:

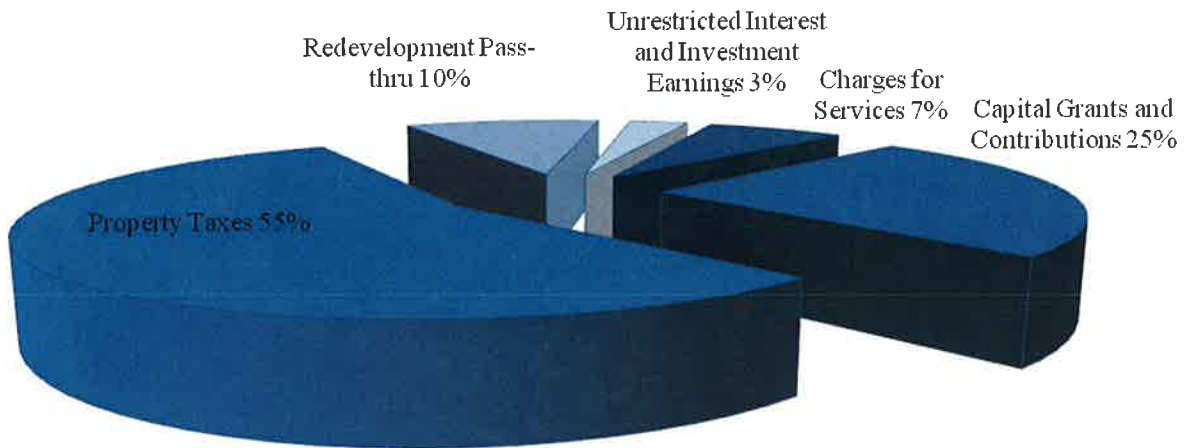
◆ The decrease in General Government expenses of \$3,732 (39 percent) reflects a reclassification of allocations charged to all other District funds and received by the general fund for administrative purposes. The allocations, accounted for in the charges for administrative services revenue account, were more appropriately reclassified to a contra-expense account offsetting overall expenses in the General Government incurred for the general administration of the District.

- ◆ Growth in Public Ways and Facilities expenses of \$2,057 (5 percent) reflects the costs associated with the construction of flood control facilities.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

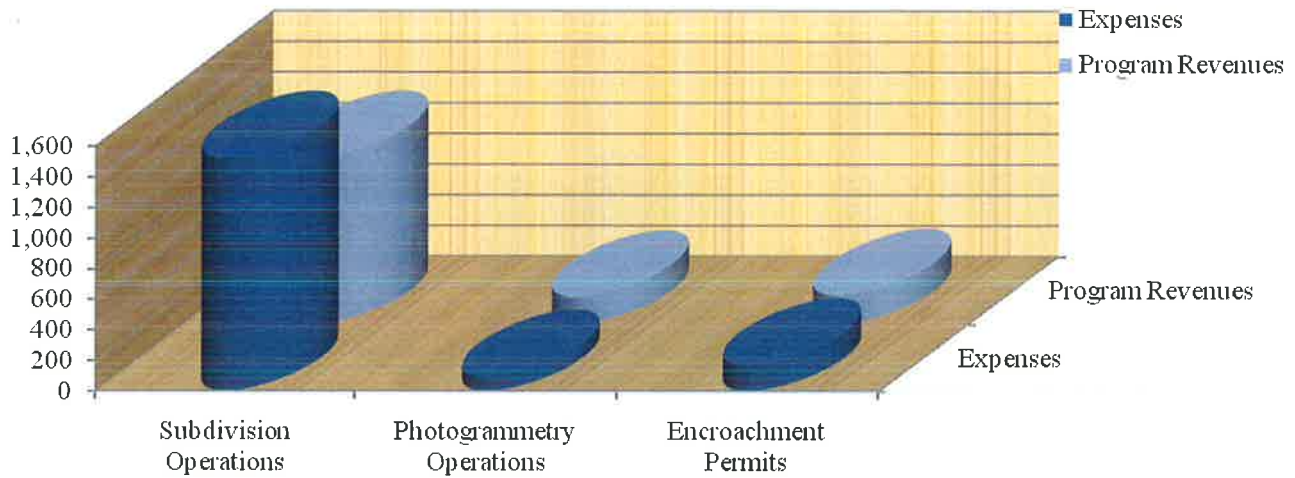


Business-type activities. Business-type activities decreased the District’s net assets by \$262, accounting for a 1 percent reduction in the total government’s net assets. Key elements of the decrease are as follows.

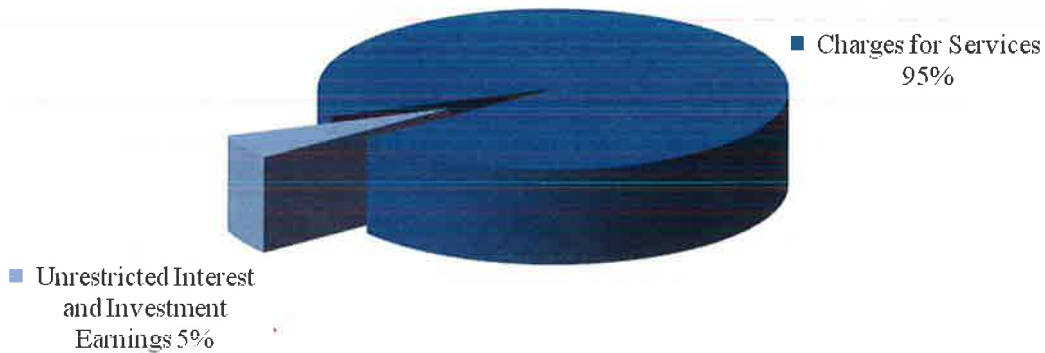
- ◆ Overall charges for services and expenses for business-type activities decreased by 53 percent and 37 percent respectively due to the steady decline of the economy. The subdivision operation accounts for a significant portion of this decrease which resulted from decreased land development activity within the County of Riverside. Increases and decreases in charges for services and expenses are development related and will vary based on development activity within the County

of Riverside. Program expenses exceeded program revenues by 19 percent and closely paralleled inflation and the reduction in the demand for services for this fiscal year.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the District’s Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District’s financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$242,280, an increase of \$13,197 in comparison with the prior year. The majority of this total amount (\$241,085) constitutes *unreserved, undesignated fund balances*, which are available for spending at the District's discretion. The remainder of fund balance is *reserved* or *unreserved, designated* to indicate that it is not available for new spending because it has already been committed to pay off accrued compensated absence liabilities as required (\$1,195).

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3,518, while total fund balance reached \$4,713. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 75 percent of total general fund expenditures, while total fund balance represents 100 percent of that same amount.

The fund balance of the District's general fund decreased by \$317 during the current fiscal year. Key factors in this decrease are as follows:

- ◆ Due to a steady decline of the economy, the general fund experienced decreases in property tax and redevelopment revenues (\$479), charges for services (\$319) and investment income (\$98).
- ◆ The District made a one-time lump sum payment of \$560 to the California Public Employees' Retirement System (CalPERS) to reduce anticipated increases in its 2010-2011 and later non-pooled employer contribution rates resulting from offering its employees an early retirement option to reduce salary and benefit costs in the general fund. This payment saved the District approximately \$1.4 million in future pension costs.

The special revenue funds account for the following:

- ◆ Revenues and expenditures related to providing flood control facilities maintenance and the design and construction of flood control facilities within defined geographical areas Zone 1 through Zone 7 (zone funds).
- ◆ Revenues and expenditures related to the administration of and compliance with the National Pollutant Discharge Elimination System (NPDES) regulations for the Whitewater, Santa Ana and Santa Margarita benefit assessment areas (NPDES funds).

The zone funds had an aggregate fund balance of \$244,725 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year was \$12,944. Key factors in the aggregate net increase are as follows:

- ◆ *Zone 1* reported a fund balance of \$24,244 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$109. Property tax and redevelopment revenues account for approximately 69 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the negative change in fund balance reflects a decrease of approximately 103 percent (\$3,846). Overall revenues decreased minimally (\$297) due primarily to decreases in property tax and redevelopment revenue (\$602), area drainage fees (\$115) and investment income (\$337). These decreases offset the increases in contributions from other governmental agencies for construction programs (\$3), charges for services revenue resulting from reimbursement by the State of California for costs covered under the California Disaster Assistance Program (\$698) and lease revenue from private sources for use of District property (\$56). Additionally, expenditures increased (\$3,502) due largely in part to the construction of the Belltown Market Street Storm Drain project and related permitting fees (\$4,355).

- ◆ *Zone 2* reported a fund balance of \$57,872 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$4,153. Property tax and redevelopment revenues account for approximately 93 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects a decrease of approximately 64 percent (\$7,226). Overall revenues decreased (\$3,172) due primarily to decreases in property tax and redevelopment revenue

(\$1,286), charges for services revenue from the Developer Impact Fee program (\$1,289), and investment income (\$672). These decreases offset the increases in area drainage fees (\$72) and lease revenue from privately owned sources for use of District property (\$3). Additionally, expenditures increased (\$3,960) due largely in part to the construction of the Santa Ana River Mainstream Project with the U.S. Army Corp of Engineers (\$3,723) and the District's contribution to the Broken Arrow Street and Western Avenue Storm Drain Project in the City of Norco pursuant to a Board of Supervisors approved agreement (\$1,349).

- ◆ *Zone 3* reported a fund balance of \$11,954 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$1,121. Property tax and redevelopment revenues account for approximately 94 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects a decrease of approximately 8 percent (\$95). Overall revenues decreased (\$195) due primarily to decreases in contributions from other governmental agencies for construction programs (\$2), charges for services revenue from receipt of prior year reimbursement payments for the Gunnerson Pond flood control project (\$333), investment income (\$156) and income from the sale of surplus land (\$18). These decreases offset the increases in property tax and redevelopment revenue (\$314). Additionally, expenditures decreased (\$112) due largely in part to decreased construction program activity within the zone.

- ◆ *Zone 4* reported a fund balance of \$64,572 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$7,371. Property tax and redevelopment revenues account for approximately 71 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects an increase of approximately less than 1 percent (\$22). Overall revenues decreased (\$5,188) due primarily to decreases in property tax and redevelopment revenue (\$2,706), contributions from other governmental agencies for construction programs (\$17), charges for services revenue for the proposed formation of a Community Facilities District in Zone 4 (\$2,602), area drainage fees (\$218), investment income (\$920) and income from the sale of surplus land (\$1,256). These decreases offset the increases in special assessment revenue resulting in payment of special assessment delinquencies (\$116) and contributions from private sources for the purchase of land (\$2,415). Additionally, expenditures decreased (\$5,305) due largely in part to decreased activity on the proposed formation of the Community Facilities District for Homeland-Romoland.

- ◆ *Zone 5* reported a fund balance of \$12,504 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$1,572. Property tax and redevelopment revenues account for approximately 93 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the negative change in fund balance reflects a decrease of approximately 159 percent (\$132). Overall revenues decreased (\$878) due primarily to decreases in property tax and redevelopment revenue (\$265), charges for services revenue from the Developer Impact Fee program (\$417) and investment income (\$196). Additionally, expenditures increased (\$3,343) due largely in part to increased construction program activity within the zone for the Calimesa construction project.

- ◆ *Zone 6* reported a fund balance of \$26,166 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$86. Property tax and redevelopment revenues account for approximately 92 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects an increase of approximately 124 percent (\$446). Overall revenues decreased (\$805) due primarily to decreases in property tax and redevelopment revenue (\$441), charges for services revenue from the sale of surplus land (\$8), and investment income (\$401). These decreases offset the increases in contributions from other governmental agencies for construction programs (\$2) and lease revenue from private sources for use of District property (\$43). Additionally, expenditures decreased (\$1,278) due largely in part to decreased land purchase costs within the zone.

- ◆ *Zone 7* reported a fund balance of \$34,336 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$1,894. Property tax and redevelopment revenues account for approximately 88 percent of total revenues in this fund and can fluctuate from year to year based on declining property values and increased foreclosures within the zone boundary as well as declining economic activity within the County of Riverside. Fluctuation in property tax revenues can positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects a decrease of approximately 16 percent (\$372). Overall revenues decreased (\$1,088) due primarily to decreases in property tax revenue (\$563), area drainage fees (\$77), income from the sale of surplus property (\$66) and investment income (\$553). These decreases offset the increases in contributions from other governmental agencies for construction programs (\$164) and charges for services revenue (\$7). Additionally, expenditures decreased (\$743) due largely in part to decreased construction program activity and land purchase within the zone.

The NPDES funds had an aggregate fund balance of \$5,563 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year was \$381. Key factors in the net increase are as follows:

- ◆ *NPDES Whitewater* reported a fund balance of \$583 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$213. Special assessment revenues account for approximately 42 percent of total revenues in this fund and can fluctuate from year to year based on economic activity in the County of Riverside and property foreclosures within the watershed boundary. Fluctuation in special assessment revenues could positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects an increase of approximately 373 percent (\$291). Overall revenues increased (\$74) due primarily to increases in special assessments (\$15) and charges for services revenue received from cost sharing permittees (\$66). This increase offsets the decreases in investment income (\$7). Additionally, expenditures decreased (\$217) due largely in part to decreased salary and benefits originally paid to staff members temporarily reassigned to update compliance programs around new permits in the prior year (\$51), reduced charges for administrative services paid to the general fund to support administrative functions (\$30), reduced professional services costs incurred for services related to new federally mandated compliance programs (\$83) and decreased NPDES contributions to other conservation organizations for storm water/clean water educational programs (\$52).

- ◆ *NPDES Santa Ana* reported a fund balance of \$4,310 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$13. Special assessment revenues account for approximately 94 percent of total revenues in this fund and can fluctuate from year to year based on economic activity in the County of Riverside and property foreclosures within the watershed boundary. Fluctuation in special assessment revenues could positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects a decrease of approximately 95 percent (\$246). Overall revenues increased (\$49) due primarily to an increase in special assessment revenues resulting primarily from an audit of property within the watershed boundaries completed in the prior year (\$117). This increase offsets the decrease in investment income (\$68). Additionally, expenditures increased (\$295) due largely in part to increased professional services costs associated with reporting and monitoring NPDES projects (\$298).

- ◆ *NPDES Santa Margarita* reported a fund balance of \$670 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$155. Special assessment revenues account for approximately 50 percent of total revenues in this fund and can fluctuate from year to year based on economic activity in the County of Riverside and property foreclosures within the watershed boundary. Fluctuation in special assessment revenues could positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects an increase of approximately 460 percent (\$198). Overall revenues increased (\$52) due primarily to increases in special assessment revenue resulting primarily from an audit of property within the watershed boundary in the prior year (\$14) and in charges for services revenue received from cost sharing permittees (\$46). These increases offset the decrease in investment income (\$8). Additionally, expenditures decreased (\$146) due largely in part to decreased salary and benefits originally paid to staff members temporarily reassigned to update compliance programs around new permits (\$16), professional services costs incurred for services related to new federally mandated compliance programs (\$118) and decreased NPDES contributions to other conservation organizations for storm water/clean water educational programs (\$26).

The capital project fund had a total fund balance of \$356 at the end of the current fiscal year. The net increase in fund balance during the current year in the capital project fund was \$189. Capital outlay increased by \$256 for the conversion of the District's yard at Market Street into a Low Impact Development (LID), Best Management Practices (BMP) Demonstration and Monitoring Facility. Transfers in are used to offset budgeted capital outlay costs incurred in any given fiscal year. Funds covering a portion of the total cost of the LID project (\$600) were transferred into the Capital Project Fund. The completion of the project and final payment is scheduled to occur in the next fiscal year.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets at the end of the year for 1) Subdivision operations amounted to \$2,483, 2) Photogrammetry operations amounted to \$506, and 3) Encroachment permit operations amounted to \$287. The total reduction in net assets for Subdivision operations was \$342. The total growth for Photogrammetry operations and Encroachment permit operations was \$82 and \$22, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the District's business-type activities.

Fiduciary Funds. The District maintains fiduciary funds to account for resources held for the benefit of parties outside of the District. The District's agency funds are reported under the fiduciary funds and are primarily used to account for debt without government obligation.

General Fund Budgetary Highlights

During the year there were not any adjustments made between the original and final amended budget.

Significant budgetary variances between the final amended budget and the actual amounts are a result of the following components:

- ◆ Total actual expenditures were less than budgetary estimates by \$5,735. Budgeted expenditures decreased by 5 percent from the prior year based on historical data, economic trends and development activity and overall actual general government expenditures increased by 13 percent. Actual general government expenditures were reduced by \$3,443 due to the reclassification of allocations charged to all other District funds and received by the general fund for administrative purposes. The allocations, accounted for in the charges for administrative services revenue account, were more appropriately reclassified to a contra-expense account offsetting overall expenses in the general government incurred for the general administration of the District.
- ◆ Total actual revenues were less than budgetary estimates by \$5,840. Budgeted revenues decreased by 7 percent from the prior year based on historical data, economic trends and development activity and overall actual revenues decreased by 17 percent. Actual revenues were reduced by \$3,443 due to the reclassification of allocations charged to all other District funds and received by the general fund for administrative purposes. The allocations, accounted for in the charges for administrative services revenue account, were more appropriately reclassified to a contra-expense account offsetting overall expenses in the general government incurred for the general administration of the District.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$723,385 (net of accumulated depreciation). This investment of capital assets includes land and easements, construction in progress, infrastructure, land improvements, building and improvements and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 3 percent (a 3 percent increase for governmental activities and a 64 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- ◆ Capital assets (infrastructure and land) were donated to the District as a result of prior year development within the County; donated infrastructure and land at the end of the current fiscal year was \$11,856 and \$3,961, respectively.
- ◆ A variety of flood control construction projects which began in the prior fiscal year were completed and new construction began; construction in progress at the end of the current fiscal year was \$15,538.

District's Capital Assets
(net of depreciation)

	Governmental activities			Business-type activities			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Infrastructure	\$489,492	\$473,048	\$439,991	\$ -	\$ -	\$ -	\$489,492	\$473,048	\$439,991
Land and easements	208,381	201,046	186,750	-	-	-	208,381	201,046	186,750
Buildings and improvements	6,996	6,785	6,822	-	-	-	6,996	6,785	6,822
Improvements other than buildings	99	99	99	-	-	-	99	99	99
Equipment	2,866	3,019	2,681	13	36	39	2,879	3,055	2,720
Construction in progress	15,538	20,142	22,505	-	-	-	15,538	20,142	22,505
Total	\$723,372	\$704,139	\$658,848	13	36	\$ 39	\$723,385	\$704,175	\$658,887

Additional information on the District's capital assets can be found in note 6 on pages 40 – 41 of this report.

Long-term debt. The District Act limits the amount of general obligation debt the District may issue to the lesser of 2 percent of assessed valuation or \$21 million. The District had \$0 total bonded debt outstanding at the end of the current fiscal year and the end of the prior two fiscal years.

Economic Factors and Next Year's Budgets and Rates

- ◆ Gross Domestic Product (GDP) data shows that the U.S. Economy is growing again, albeit very slowly. The data shows that in the 3rd quarter of 2009, the economy grew 2.2 percent, surging to 5.6 percent in the 4th quarter, but slowing to 2.7 percent in the 1st quarter of 2010. Even though leading economists have stated that we are now out of the recession, the economy is growing at a very snail-like pace. Other indicators such as employment show that the 882 jobs have been created in the first six months of this year, including the loss of 225 census jobs. The U.S. unemployment peaked at 10.1 percent and was still at 9.5 percent in June.
- ◆ California's fiscal condition remains dire. The State is faced with increasing deficits and little has been done to arrive at long term solutions to the underlying issues that have led the State's economy to a \$20 billion deficit. The State legislature and Governor's office have made minor changes and seem to have left the heavy lifting to the incoming administration. California employment data presents a small growth in jobs similar to the Federal picture, but weaker. During the first five months, the State has added 96 jobs including the census losses. It has regained 7.0 percent of the 1.4 million jobs lost in 2008-2009. The 2009 job level was 442 less than the jobs in 2000. The State's unemployment rate peaked at 13.2 percent in October 2009 and was still 11.9 percent in May 2010. The only two worse state economies were Nevada and Michigan.
- ◆ The Inland Empire region has been affected by the same issues affecting the nation and State. From January to May 2010, the Inland Empire's economy has grown but even less so, adding 4 jobs including census workers. It has regained 2.6 percent of the 140 jobs lost in 2008-2009. Its unemployment rate peaked at 15.0 percent in January and March 2010 and was still 13.9 percent in May 2010. Construction remains the key economic difficulty. The jobs lost in this sector have not been regained. The construction market has been down primarily because of the residential market. In the residential market, the good news is that the median prices have risen slightly since May 2009. By May 2010, Riverside County's median price was up 16.7 percent from May 2009 (\$210 v. \$180). Some of the gain occurred because of the April 2010 expiration of federal credits which helped fuel housing demand. Some have contended that a market shift to sales of larger homes has caused the median to rise. Inland zip code data does not support that claim. The positive side of this is that the inland families can afford housing. In Western Riverside County, only nine hundred and thirty-three (933) new home permits were issued between January and May 2009. It was one thousand four hundred and thirty-three (1,433) in 2010, up 55.3 percent. The non-residential sector will not help for some time as the industrial vacancy rate is 11.9 percent and the office vacancy rate is 24.0 percent.
- ◆ Taxable sales are a major revenue source for local government agencies and this has been a source hit really hard by the economy. The District itself does not receive sales tax revenue and is more reliant on property taxes which have also

taken a hard hit. Last year, property tax valuations were down 10.8 percent and in 2010-11, property tax assessed valuations are expected to be down by 4.6 percent. On the sales tax front, in fiscal year 2008-2009, Riverside County sales dropped by 14.5 percent to \$22.2 billion. Every major city lost retail sales.

- ◆ The darkest cloud now hanging over the Inland Empire's economy is the impact of declining state and local revenues and the impact on the budgets of K-12 education and city and county governments. The result in the State and Local revenues can be attributed to the state of the State economy, the decline in retail activity and the loss of property valuations due to the deep recession. Normally, government revenues lag behind the economy and as such, the effect of the economy will result in losses of jobs in the upcoming year. The situation will be compounded by the State economy and is cutting off some funding for local governments and education and taking local revenues to balance the State budget. There is a little good news for the future as the retail sales have stopped declining. For fiscal year 2010-11, Riverside County's assessed value was down just 4.6 percent as compared to 10.8 percent in the prior year.

All of these factors were considered in preparing the District's budget for the 2011 fiscal year.

General fund revenues and appropriations for fiscal year 2011 are estimated to decrease by 2.9 percent and 4.2 percent respectively for the general administration of the District. Decreases in tax revenues and in revenues associated with inspection of developer constructed facilities to be accepted into the District's maintained system are expect to decrease by 2 percent and increase by 24 percent respectively. Appropriation decreases are due primarily to reduction in developer constructed projects requiring District inspection services. The decreases in revenues and appropriations are a direct result of slowing development within Riverside County due to the declining economy.

Revenue and appropriation estimates are very difficult to make for the enterprise funds because they are directly related to the level of private development activity occurring in Riverside County during any given period. The Subdivision and Photogrammetry funds are expected to have averaged revenue and appropriation decreases of approximately 12 percent and 16 percent respectively. These decreases are a direct result of slowing development within Riverside County due to the declining economy and the effect of the economic downturn on other governmental agencies that seek photogrammetric services. The Encroachment Permits fund is expected to have decreases in revenue and appropriation increases of approximately 33 percent and 10 percent respectively. These decreases and increases are in anticipation of a slow growing economy and how that will affect various agencies, developers and individuals requiring temporary access/use of District property to complete projects still in development.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Riverside County Flood Control and Water Conservation District, 1995 Market Street, Riverside, CA 92501.

BASIC FINANCIAL STATEMENTS

"Seven Oaks Dam"

Spill Way (front-view)



CONTENTS

Government-wide Financial Statements
Fund Financial Statements:
Governmental Funds
Proprietary Funds
Fiduciary Funds
Notes to the Financial Statements

Riverside County Flood Control and Water Conservation District

Statement of Net Assets

June 30, 2010

(Amounts Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 250,600	\$ 2,175	\$ 252,775
Restricted Cash	6,658	2,950	9,608
Receivables	7,672	1,650	9,322
Net Pension Asset	2,084	-	2,084
OPEB Asset	275	-	275
Inventories	255	-	255
Prepays	11	-	11
Internal Balances	(189)	189	-
Capital Assets:			
Nondepreciable	223,919	-	223,919
Depreciable, Net	499,453	13	499,466
Total Assets	990,738	6,977	997,715
LIABILITIES			
Accounts Payable and Accrued Liabilities	2,227	82	2,309
Matured Bonds Payable	26	-	26
Salaries and Benefits Payable	782	21	803
Developer and Other Agency Deposits	6,246	3,337	9,583
Due to Other Governments	2,092	-	2,092
Long-term Liabilities:			
Due Within One Year	587	11	598
Due in More Than One Year	3,181	61	3,242
Total Liabilities	15,141	3,512	18,653
NET ASSETS			
Invested in Capital Assets	723,372	13	723,385
Restricted by Enabling Legislation for:			
Public Ways and Facilities	237,211	-	237,211
Unrestricted	15,014	3,452	18,466
Total Net Assets	\$ 975,597	\$ 3,465	\$ 979,062

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District

Statement of Activities

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:			
Governmental Activities			
General Government	\$ 5,928	\$ 1,149	\$ -
Public Ways and Facilities	41,769	5,215	21,538
	47,697	6,364	21,538
Total Governmental Activities			
Business-type Activities			
Subdivision Operations	1,520	1,082	-
Photogrammetry Operations	93	171	-
Encroachment Permits	167	183	-
	1,780	1,436	-
Total Business-type Activities			
Total	\$ 49,477	\$ 7,800	\$ 21,538

General Revenues:

Property Taxes

Redevelopment Pass-thru

Unrestricted Interest and Investment Earnings

Gain - Sale of Capital Assets

Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business- type Activities	Total
\$ (4,779)	\$ -	\$ (4,779)
(15,016)	-	(15,016)
(19,795)	-	(19,795)
-	(438)	(438)
-	78	78
-	16	16
-	(344)	(344)
(19,795)	(344)	(20,139)
46,280	-	46,280
8,111	-	8,111
2,324	82	2,406
42	-	42
56,757	82	56,839
36,962	(262)	36,700
938,635	3,727	942,362
\$ 975,597	\$ 3,465	\$ 979,062

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District

Balance Sheet

Governmental Funds

June 30, 2010

(Amounts Expressed in Thousands)

ASSETS	<u>General Fund</u>	<u>Zone 1</u>	<u>Zone 2</u>	<u>Zone 3</u>
Cash and Investments	\$ 5,125	\$ 25,145	\$ 58,646	\$ 11,325
Restricted Cash	1,939	10	-	6
Receivables:				
Taxes Receivable	202	1,268	1,407	721
Accounts Receivable	220	35	4	1
Interest Receivable	10	41	91	18
Due From Other Funds	-	-	-	-
Due From Other Governments	4	5	190	3
Prepays	-	-	-	-
 Total Assets	 <u>\$ 7,500</u>	 <u>\$ 26,504</u>	 <u>\$ 60,338</u>	 <u>\$ 12,074</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 60	\$ 937	\$ 141	\$ 5
Salaries and Benefits Payable	434	63	46	7
Matured Bonds Payable	-	-	-	-
Due to Other Funds	-	14	23	3
Deferred Revenue	196	1,234	1,406	98
Developer and Other Agency Deposits	2,022	10	-	6
Due to Other Governments	75	2	850	1
 Total Liabilities	 <u>2,787</u>	 <u>2,260</u>	 <u>2,466</u>	 <u>120</u>
 Fund Balances:				
Unreserved, Designated for Compensated Absences	1,195	-	-	-
Unreserved, Undesignated, Reported in:				
General Fund	3,518	-	-	-
Special Revenue Funds	-	24,244	57,872	11,954
Capital Project Fund	-	-	-	-
 Total Fund Balances	 <u>4,713</u>	 <u>24,244</u>	 <u>57,872</u>	 <u>11,954</u>
 Total Liabilities and Fund Balances	 <u>\$ 7,500</u>	 <u>\$ 26,504</u>	 <u>\$ 60,338</u>	 <u>\$ 12,074</u>

The accompanying notes are an integral part of this statement.

<u>Zone 4</u>	<u>Zone 5</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>NPDES Whitewater</u>	<u>NPDES Santa Ana</u>
\$ 64,702	\$ 12,601	\$ 27,121	\$ 34,129	\$ 600	\$ 4,428
3,674	6	20	-	-	-
984	357	305	273	22	101
17	11	262	-	-	2
107	20	43	54	1	7
302	-	-	-	-	15
652	-	-	169	-	-
-	-	-	-	2	8
<u>\$ 70,438</u>	<u>\$ 12,995</u>	<u>\$ 27,751</u>	<u>\$ 34,625</u>	<u>\$ 625</u>	<u>\$ 4,561</u>
\$ 108	\$ 207	\$ 335	\$ 26	\$ 2	\$ 95
78	16	42	20	3	12
26	-	-	-	-	-
327	5	8	8	2	16
909	245	350	235	22	101
4,172	16	20	-	-	-
246	2	830	-	13	27
<u>5,866</u>	<u>491</u>	<u>1,585</u>	<u>289</u>	<u>42</u>	<u>251</u>
-	-	-	-	-	-
-	-	-	-	-	-
64,572	12,504	26,166	34,336	583	4,310
-	-	-	-	-	-
<u>64,572</u>	<u>12,504</u>	<u>26,166</u>	<u>34,336</u>	<u>583</u>	<u>4,310</u>
<u>\$ 70,438</u>	<u>\$ 12,995</u>	<u>\$ 27,751</u>	<u>\$ 34,625</u>	<u>\$ 625</u>	<u>\$ 4,561</u>

Continued

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District

Balance Sheet

Governmental Funds - Continued

June 30, 2010

(Amounts Expressed in Thousands)

	NPDES Santa Margarita	Flood Control Capital Project Fund	Total
ASSETS			
Cash and Investments	\$ 782	\$ 356	\$ 244,960
Restricted Cash	-	-	5,655
Receivables:			
Taxes Receivable	28	-	5,668
Accounts Receivable	-	-	552
Interest Receivable	1	-	393
Due From Other Funds	5	-	322
Due From Other Governments	-	-	1,023
Prepays	1	-	11
	<u>1</u>	<u>-</u>	<u>11</u>
Total Assets	<u>\$ 817</u>	<u>\$ 356</u>	<u>\$ 258,584</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 94	\$ -	\$ 2,010
Salaries and Benefits Payable	12	-	733
Matured Bonds Payable	-	-	26
Due to Other Funds	2	-	408
Deferred Revenue	28	-	4,824
Developer and Other Agency Deposits	-	-	6,246
Due to Other Governments	11	-	2,057
	<u>11</u>	<u>-</u>	<u>2,057</u>
Total Liabilities	<u>147</u>	<u>-</u>	<u>16,304</u>
Fund Balances:			
Unreserved, Designated for Compensated Absences	-	-	1,195
Unreserved, Undesignated, Reported in:			
General Fund	-	-	3,518
Special Revenue Funds	670	-	237,211
Capital Project Fund	-	356	356
	<u>670</u>	<u>356</u>	<u>242,280</u>
Total Fund Balances	<u>670</u>	<u>356</u>	<u>242,280</u>
Total Liabilities and Fund Balances	<u>\$ 817</u>	<u>\$ 356</u>	<u>\$ 258,584</u>

The accompanying notes are an integral part of this statement.

**Riverside County Flood Control and Water Conservation District
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets - Governmental Activities**

June 30, 2010

(Amounts Expressed in Thousands)

Fund Balances - Total Governmental Funds (Page 19) \$ 242,280

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 720,585

Internal service funds are used by management to charge the costs of hydrology services, garage, project maintenance, mapping services, data processing, and photography to individual funds. The assets and liabilities of these funds are included in governmental activities in the statement of net assets. 9,071

The net pension asset (NPA) and net OPEB asset (NOA) should be adjusted for any difference between contributions made and the annual required contributions (ARC). A positive year-end balance in the NPA and NOA should be recognized as the year-end asset in relation to the ARC in governmental activities in the statement of net assets.

Net Pension Asset	2,084	
OPEB Asset	<u>275</u>	2,359

Earned but unavailable revenues reported in the governmental funds balance sheet as deferred revenue should be recognized in the government-wide statement of activities as revenue regardless of availability thereby increasing unrestricted net assets in the government-wide statement of net assets.

Earned but unavailable revenues. 4,824

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated Absences		<u>(3,522)</u>
----------------------	--	----------------

Net Assets of Governmental Activities (Page 14) \$ 975,597

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	<u>General Fund</u>	<u>Zone 1</u>	<u>Zone 2</u>	<u>Zone 3</u>
REVENUES				
Property Taxes	\$ 3,003	\$ 6,658	\$ 10,920	\$ 1,560
Redevelopment Pass-thru	215	1,411	1,607	623
Special Assessments	-	-	-	-
Intergovernmental	44	97	159	22
Charges for Services	1,053	1,121	10	4
Area Drainage Fees	-	-	179	-
Investment Income	53	243	552	107
Contributions	-	-	-	-
Use of Assets	-	120	8	-
	<u>4,368</u>	<u>9,650</u>	<u>13,435</u>	<u>2,316</u>
EXPENDITURES				
General Government	4,638	-	-	-
Public Ways and Facilities	-	9,644	9,089	1,169
Capital Outlay	47	-	-	-
	<u>4,685</u>	<u>9,644</u>	<u>9,089</u>	<u>1,169</u>
Excess (Deficiency) of Revenue: Over (Under) Expenditures	<u>(317)</u>	<u>6</u>	<u>4,346</u>	<u>1,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	46	76	10
Transfers Out	-	(161)	(269)	(36)
	<u>-</u>	<u>(115)</u>	<u>(193)</u>	<u>(26)</u>
Net Change in Fund Balances	(317)	(109)	4,153	1,121
Fund Balances, Beginning of Year	<u>5,030</u>	<u>24,353</u>	<u>53,719</u>	<u>10,833</u>
Fund Balances, End of Year	<u>\$ 4,713</u>	<u>\$ 24,244</u>	<u>\$ 57,872</u>	<u>\$ 11,954</u>

The accompanying notes are an integral part of this statement.

Zone 4	Zone 5	Zone 6	Zone 7	NPDES Whitewater	NPDES Santa Ana
\$ 11,619	\$ 2,506	\$ 3,559	\$ 3,709	\$ -	\$ -
889	417	661	406	-	-
125	-	-	-	294	2,265
166	36	52	219	-	-
1,392	70	2	15	396	100
468	-	-	15	-	-
557	125	256	323	4	38
2,415	-	-	-	-	-
8	-	43	-	-	-
<u>17,639</u>	<u>3,154</u>	<u>4,573</u>	<u>4,687</u>	<u>694</u>	<u>2,403</u>
-	-	-	-	-	-
7,623	4,685	3,871	2,344	481	2,390
2,436	-	554	385	-	-
<u>10,059</u>	<u>4,685</u>	<u>4,425</u>	<u>2,729</u>	<u>481</u>	<u>2,390</u>
<u>7,580</u>	<u>(1,531)</u>	<u>148</u>	<u>1,958</u>	<u>213</u>	<u>13</u>
82	17	24	26	-	-
(291)	(58)	(86)	(90)	-	-
<u>(209)</u>	<u>(41)</u>	<u>(62)</u>	<u>(64)</u>	<u>-</u>	<u>-</u>
7,371	(1,572)	86	1,894	213	13
<u>57,201</u>	<u>14,076</u>	<u>26,080</u>	<u>32,442</u>	<u>370</u>	<u>4,297</u>
<u>\$ 64,572</u>	<u>\$ 12,504</u>	<u>\$ 26,166</u>	<u>\$ 34,336</u>	<u>\$ 583</u>	<u>\$ 4,310</u>

Continued

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Continued
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	NPDES Santa Margarita	Flood Control Capital Project Fund	Total
REVENUES			
Property Taxes	\$ -	\$ -	\$ 43,534
Redevelopment Pass-thru	-	-	6,229
Special Assessments	471	-	3,155
Intergovernmental	-	-	795
Charges for Services	468	-	4,631
Area Drainage Fees	-	-	662
Investment Income	5	2	2,265
Contributions	-	-	2,415
Use of Assets	-	-	179
	<hr/>	<hr/>	<hr/>
Total Revenues	944	2	63,865
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General Government	-	-	4,638
Public Ways and Facilities	789	-	42,085
Capital Outlay	-	413	3,835
	<hr/>	<hr/>	<hr/>
Total Expenditures	789	413	50,558
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenue:			
Over (Under) Expenditures	155	(411)	13,307
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	600	881
Transfers Out	-	-	(991)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	600	(110)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	155	189	13,197
Fund Balances, Beginning of Year	515	167	229,083
	<hr/>	<hr/>	<hr/>
Fund Balances, End of Year	\$ 670	\$ 356	\$ 242,280
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**Riverside County Flood Control and Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-wide Statement of Activities - Governmental Activities**

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds (Page 23) \$ 13,197

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and are charged to depreciation expense.

Expenditures for capital assets	11,907	
Donation of capital assets	15,817	
Less current year depreciation	<u>(8,346)</u>	19,378

Governmental funds report pension expense for the year equal to annual pension cost (APC). The net pension asset (NPA) and the net OPEB asset (NOA) should be adjusted for any difference between contributions made and annual required contributions (ARC). In the statement of activities, contributions made in excess of the ARC are amortized over future years and charged to pension expense.

Pension asset	(139)	
OPEB asset	<u>134</u>	(5)

Earned but unavailable revenues reported in the governmental funds balance sheet as deferred revenue should be recognized in the government-wide statement of activities as revenue regardless of availability.

Earned but unavailable revenues.		4,824
----------------------------------	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund.

Change in Long-term Compensated Absences		(685)
--	--	-------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of certain internal service funds is reported with governmental activities.

Change in Net Assets of Governmental Activities (Page 16)		<u>\$ 36,962</u>
---	--	------------------

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District

Statement of Net Assets

Proprietary Funds

June 30, 2010

(Amount Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Subdivision Operations	Other Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 1,411	\$ 764	\$ 2,175	\$ 5,640
Restricted Cash	2,621	329	2,950	1,003
Receivables:				
Accounts Receivable	1,531	35	1,566	10
Interest Receivable	10	2	12	10
Due From Other Funds	-	-	-	86
Due From Other Governments	53	19	72	16
Inventories	-	-	-	255
Total Current Assets	5,626	1,149	6,775	7,020
Noncurrent Assets:				
Capital Assets:				
Depreciable, Net	-	13	13	2,787
Total Assets	\$ 5,626	\$ 1,162	\$ 6,788	\$ 9,807
LIABILITIES AND NET ASSETS				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 69	\$ 13	\$ 82	\$ 217
Salaries and Benefits Payable	20	1	21	49
Due to Other Funds	-	-	-	-
Compensated Absences - Current Portion	9	2	11	38
Due to Other Governments	-	-	-	35
Developer and Other Agency Deposits	2,994	343	3,337	-
Total Current Liabilities	3,092	359	3,451	339
Noncurrent Portion of Long-term Liabilities:				
Compensated Absences	51	10	61	208
Total Noncurrent Liabilities	51	10	61	208
Total Liabilities	3,143	369	3,512	547
Net Assets:				
Invested in Capital Assets	-	13	13	2,787
Unrestricted	2,483	780	3,263	6,473
Total Net Assets	2,483	793	3,276	9,260
Total Liabilities and Net Assets	\$ 5,626	\$ 1,162		\$ 9,807
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			189	
Net Assets of Business-type Activities			\$ 3,465	

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Statement of Revenues, Expenses and Changes in Fund Net Asset:
Proprietary Funds

For the Year Ended June 30, 2010
(Amount Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Subdivision Operations	Other Enterprise Funds	Total	
OPERATING REVENUES				
Charges for Services	\$ 1,082	\$ 354	\$ 1,436	\$ 6,868
OPERATING EXPENSES				
Personnel Services	554	105	659	2,365
Administrative Services	637	86	723	465
Services and Supplies	305	46	351	2,974
Depreciation	-	23	23	1,041
Total Operating Expenses	1,496	260	1,756	6,845
Operating Income (Loss)	(414)	94	(320)	23
NONOPERATING REVENUES				
Investment Income	72	10	82	59
Gain on Sale of Capital Assets	-	-	-	37
Total Nonoperating Revenues	72	10	82	96
Income (Loss) Before Transfers	(342)	104	(238)	119
Transfers In	-	-	-	391
Transfers Out	-	-	-	(281)
Total Transfers In (Out)	-	-	-	110
Change in Net Assets	(342)	104	(238)	229
Net Assets, Beginning of Year	2,825	689		9,031
Net Assets, End of Year	\$ 2,483	\$ 793		\$ 9,260
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(24)	
Change in Net Assets of Business-type Activities			\$ (262)	

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Subdivision Operations	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers/Other Funds	\$ 1,448	\$ 423	\$ 1,871	\$ 6,967
Cash Paid to Suppliers for Goods and Services	(920)	(122)	(1,042)	(3,333)
Cash Paid to Employees for Services	(605)	(121)	(726)	(2,375)
Net Cash Provided by (Used in) Operating Activities	(77)	180	103	1,259
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers Received	-	-	-	93
Net Cash Provided by Noncapital Financing Activities	-	-	-	93
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets	-	-	-	37
Acquisition and Construction of Capital Assets	-	-	-	(879)
Net Cash Used in Capital and Related Financing Activities	-	-	-	(842)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	80	10	90	65
Net Cash Provided by Investing Activities	80	10	90	65
Net Change in Cash and Cash Equivalents	3	190	193	575
Cash and Cash Equivalents, Beginning of Year	4,029	903	4,932	6,068
Cash and Cash Equivalents, End of Year	\$ 4,032	\$ 1,093	\$ 5,125	\$ 6,643
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (414)	\$ 94	\$ (320)	\$ 23
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	-	23	23	1,041
Changes in Operating Assets and Liabilities:				
Decrease (Increase) in:				
Accounts Receivable	(27)	29	2	(1)
Due from Other Funds	1	4	5	116
Due from Other Governments	(24)	4	(20)	(16)
Inventories	-	-	-	(28)
Increase (Decrease) in:				
Accounts Payable	30	13	43	181
Salaries and Benefits Payable	(24)	(7)	(31)	(61)
Due to Other Funds	(8)	(3)	(11)	(48)
Compensated Absences	(27)	(9)	(36)	51
Due to Other Governments	-	-	-	1
Developer and Other Agency Deposits	416	32	448	-
Net Cash Provided by (Used in) Operating Activities:	\$ (77)	\$ 180	\$ 103	\$ 1,259

There were no significant noncash investing, financing, or capital activities.

Riverside County Flood Control and Water Conservation District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010
(Amounts Expressed in Thousands)

	Agency Funds
ASSETS	
Cash and Investments	\$ 2,790
Cash and Investments with Fiscal Agents	2,315
Total Assets	\$ 5,105
LIABILITIES	
Accounts Payable	\$ 2,765
Matured Bonds Payable	-
Due to Bondholders	2,315
Due to Other Governments	25
Total Liabilities	\$ 5,105

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Riverside County Flood Control and Water Conservation District (the District) was created by an act of the State Legislature on July 7, 1945 to provide financing for the construction and maintenance of flood control facilities. The governing board of the District consists of the same five members of the Board of Supervisors as Riverside County, California, and the Board has the authority to impose its will on the District. Therefore, the District is considered to be a blended component unit of the County for financial reporting purposes. As required by accounting principles generally accepted in the United States of America, these financial statements present all the fund types of the District.

B) Basis of Presentation

Government – wide Financial Statements

The statement of net assets and statement of activities display information about the District's activities. These statements include the financial activities of the District, except for fiduciary activities. It is the District's policy to make eliminations to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees charged to external parties.

The *statement of activities* presents a comparison between program expenses and program revenues for each segment of the *business-type activities* of the District and for each function of the District's *governmental activities*. *Program expenses* include such direct expenses that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) charges paid by the recipients of goods or services offered by the programs and 2) 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, including all taxes, are presented instead as *general revenues*.

When an expense is incurred for a purpose for which both restricted and unrestricted net assets are available, management has discretion as to which resources apply. It is the District's policy to use restricted resources before unrestricted resources.

C) Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C) Fund Financial Statements - Continued

The District reports the following as a major governmental fund:

- ◆ The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund includes such activities as general government and capital outlay.
- ◆ *Zones 1 through 7* are special revenue funds established to account for revenues and expenditures related to providing flood control in each geographical zone. These funds are financed primarily by ad valorem property taxes, developer fees, local cooperative agreements, federal monies, and monies from other local governments.
- ◆ *NPDES Whitewater* is a special revenue fund used to account for revenues and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Whitewater assessment area. Primarily the benefit assessment area finances this fund.
- ◆ *NPDES Santa Ana* is a special revenue fund used to account for revenues and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Santa Ana assessment area. Primarily the benefit assessment area finances this fund.
- ◆ *NPDES Santa Margarita* is a special revenue fund used to account for revenues and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Santa Margarita assessment area. Primarily the benefit assessment area finances this fund.
- ◆ The *Flood Control Capital Project Fund* was established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

The District reports the following major enterprise fund:

- ◆ The *Subdivision Operations Fund* accounts for various services needed by developers in the construction of projects within the County. Revenues are primarily for charges for services.

The District reports the following additional fund types:

- ◆ *Internal Service Funds* account for the District's Hydrology Services, Garage, Project Maintenance, Mapping Services, Data Processing and Photography, on a cost-reimbursement basis.
- ◆ The *Agency Funds* account for assets held by the District as an agent for individuals, private organizations, boards, commissions and other governmental entities or funds not part of the District's reporting entity, but for which the District acts in a fiduciary capacity.

D) Basis of Accounting

The government-wide and proprietary fund 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special assessments, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Basis of Accounting - Continued

Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Agency funds report only assets and liabilities under the accrual basis and have no measurement focus.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources are recognized when they become susceptible to accrual – that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, contracts and other nonexchange transactions are considered available and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, are considered available and accrued if expected to be received within twelve months after fiscal year-end.

For its government-wide and proprietary fund financial statements, the District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes Generally Accepted Accounting Principles (GAAP) for governmental units. Under GASB 20, the District has elected not to apply FASB pronouncements issued after November 30, 1989 for its government-wide and enterprise fund financial statements.

E) Cash and investments and cash and investments with fiscal agents

The District's cash from operations is deposited in the County Treasury. The County pools its funds with other government agencies in the County and invests them as prescribed by the California Government Code. The District's deposits in the County pool may be accessed at any time. The District is allocated interest income on monies deposited with the County based on its proportional share of the pooled investments. All pooled investments and investments with fiscal agent are carried at fair value. The fair value of participants' positions in the pool is not the same as the value of the pooled shares.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County, to include District, investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its finding to the Board. The Investment Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F) Property Taxes

Under California law, property taxes are assessed and collected by counties for up to 1 percent of assessed value, plus other increases as approved by affected voters. Property tax revenues are pooled and then allocated based on assessed valuation. Property taxes on the secured rolls are payable in two installments, November 1 and February 1. Property tax payments become delinquent after December 10 and April 10, respectively.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F) Property Taxes – Continued

Remittance of property taxes to the District is accounted for within each appropriate fund. Under the Teeter Plan, the District receives its current-year tax from the County without regard for the delinquency factors.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1		
Levy Date	July 1 to June 30		
Due Date	November 1	-	1 st Installment
	February 1	-	2 nd Installment
Delinquent Date	December 10	-	1 st Installment
	April 10	-	2 nd Installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the agencies based on complex formulas prescribed by the state statutes.

G) Inventories and Prepaid Items

Inventories, which consist of materials and supplies held for consumption, are valued at the lower of cost (on a first-in, first-out basis) or market in the proprietary funds. Inventories for all governmental funds are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H) Capital Assets

Capital assets, which include property (e.g. land and easements), plant (e.g. buildings, improvements), equipment (e.g. vehicles, computers, office equipment) and infrastructure (e.g. drainage systems, flood control, and similar structures), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds statement of net assets. Capital assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The capitalization thresholds are as follows: \$5 for equipment, \$1 dollar for buildings (structures), land and land improvements and \$150 for infrastructure.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure:	Flood Channels and Levees	99 years
	Dams/Basins	99 years
	Storm Drains	65 years
Structure and Improvements:	Buildings	50 years
	Building improvements	50 years
Equipment:	Autos, personal computers and equipment valued at less than \$25	3 years
	Computer items, small trucks and equipment valued between \$25 and \$75	5 years
	Large trucks and equipment valued at greater than \$75	7 years

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I) Compensated Absences

Permanent District employees earn from 10 to 20 vacation days annually, depending upon their length of employment, and 12 sick days a year. Employees can carry forward up to a maximum of three times their annual vacation accrual and an unlimited number of sick days for use in subsequent years.

Upon termination or retirement, District employees are entitled to receive compensation at their current salary for all unused vacation time. If an employee retires from the District with at least five years of service, the employee is entitled to receive from 10 percent to 50 percent of the value of any unused sick leave up to 120 days.

J) Long-term Debt

The District reports long-term debt of governmental funds at face value in the government-wide statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide statement of net assets. Long-term debt and other obligations financed by the proprietary fund types are reported as liabilities in the appropriate proprietary fund types and in the government-wide statement of net assets.

K) Operating/Nonoperating Revenues and Expenses

The District defines its operating revenues as revenues derived from charges for services. All other revenue that is not derived directly from charges for services, including interest income and gain/loss on sale of assets, is classified as nonoperating in the accompanying statement of revenues, expenses, and changes in fund net assets.

Consistent with the treatment in the accompanying statement of cash flows, all expenses, with the exception of interest expense, are treated as operating expenses on the accompanying statement of revenues, expenses and changes in fund net assets.

L) Interfund Transactions

Interfund transactions are reflected as loans, provided services, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Provided services, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M) Reservations/Designations

In fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2) CASH AND INVESTMENTS

Cash and investments totaled \$267,488 as of June 30, 2010. Each fund's portion of this total is reflected in the financial statement accounts entitled "Cash and investments", "Restricted cash", and "Cash and investments with fiscal agents."

All District cash and investments are on deposit with the County Treasurer with the exception of a portion of cash collected from special assessments. 100.0 percent of cash collected from special assessments is held by the District for others in trust and is on account with a third party. The cash is classified as "Cash and investments with fiscal agents" in the District's financial statements and amounted to \$2,315 at June 30, 2010.

The County Treasurer maintains the County's Pooled Investment Fund pursuant to the California Government Code and the County Treasurer's Statement of Investment Policy. Portfolio income, including gains and losses, are distributed quarterly. All investment income is distributed prorata based upon each participant's average daily cash balance for the calendar year except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made.

Investments related to the County's Pooled Investment Fund are restricted to those authorized in the California Government Code and the County Treasurer's Statement of Investment Policy. Investments and related credit, custodial credit, concentration of credit, interest rate and foreign currency risks associated with the County's Pooled Investment Funds are disclosed in Riverside County's basic financial statements.

The primary objectives of the Treasurer's investment of public funds are noted in order of priority as follows: to safeguard investment principal, to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and to achieve a reasonable rate of return or yield on the portfolio.

Total District cash and investments at fair value are reported as follows:

Cash and Investments:	
Cash With and Pooled by the County Treasury	\$ 265,173
Investments Held by Fiscal Agents	2,315
	267,488
Total Cash and Investments	\$ 267,488

Total District cash and investments at fair value are reported by the following activities:

Cash and Investments Summary:	
Total Governmental Activities	\$ 257,258
Total Business-type Activities	5,125
Total Fiduciary Funds	5,105
	267,488
Total Cash and Investments	\$ 267,488

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

2) CASH AND INVESTMENTS – Continued

A) Investments

Investments are governed by the District’s Investment Policy Statement, the California Government Code, the particular bond indenture, Board of Supervisors’ Resolution, and the fiscal agent agreement.

State statutes and the District’s Investment Policy Statement authorize the District to invest in the following investment categories:

- ◆ Obligations of the U.S. Treasury Notes
- ◆ Federal agencies
- ◆ A U.S. Government-sponsored enterprise
- ◆ The State of California
- ◆ Local government agencies
- ◆ Commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record
- ◆ Bankers’ acceptances
- ◆ Repurchase agreements
- ◆ Reverse repurchase agreements
- ◆ Guaranteed investment contracts
- ◆ Bond anticipation notes
- ◆ Corporate bonds
- ◆ Negotiable certificates of deposits issued by national and State licensed banks, chartered banks, or Federal/State savings and loan associations.

Investments Authorized by Debt Agreements. Investments of debt proceeds held by bond trustee (Fiscal Agent) are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy.

As of June 30, 2010, the major classes of the District’s investments consisted of the following:

	Fair Value	Weighted Average Maturity (Years)
With Trustee (Fiscal Agent):		
US Treasury Bond	\$ 969	6.28
US Bank Term CD	897	2.43
US Bank Money Market	449	Less than 1 year
Total with Trustee (Fiscal Agent)	\$ 2,315	

B) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates and that 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.

The County Treasurer manages exposure to declines in the market value of the Pooled Investment fund portfolio by maintaining a weighted average days to maturity (WAM) of less than 541 days or 1.5 years in accordance with the County Treasurer’s Statement of Investment Policy. As of June 30, 2010, the WAM for the Pooled Investment fund portfolio was 1.02 years. Additionally, the County Treasurer maintains at least 40 percent of the portfolio’s total value in securities having maturities of 1 year or less to provide sufficient liquidity to meet daily expenditure requirements. Investments held by fiscal agents have a maturity of 1 year or less.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

2) CASH AND INVESTMENTS – Continued

B) Interest Rate Risk - Continued

As noted in the County Treasurer's Investment Fund Monthly Report for June 2010, the Pooled Investment fund was rated: Aaa/MR1 by Moody's Investor Service and AAA/V1+ by Fitch Ratings.

C) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code and the District's Investment Policy Statement do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, other than the following provisions for deposits: 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. 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 deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

D) Credit Risk

The District's Investment Policy Statement sets forth the minimum acceptable credit ratings for investments from the following nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (Standard & Poor's) and P-1 (Moody's). For an issuer of long-term debt, the rating must be no less than an "A". At June 30, 2010, the credit rating of the District's investments pursuant to the District's Investment Policy Statement was A for Standard & Poor's and A3 for Moody's.

E) Concentration of Credit Risk

As previously stated, the District's Investment Policy Statement is limited solely to the proceeds of bonds issued by the District and therefore does not address limitations with regards to pool funds. At June 30, 2010, there were no investments that constitute a concentration of credit risk.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
 (Amounts Expressed in Thousands)

3) RECEIVABLES

Receivables at year-end of the District's major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Governmental activities:

	Taxes	Accounts	Interest	Due From Other Governments	Total Receivables
General Fund	\$ 202	\$ 220	\$ 10	\$ 4	\$ 436
Zone 1	1,268	35	41	5	1,349
Zone 2	1,407	4	91	190	1,692
Zone 3	721	1	18	3	743
Zone 4	984	17	107	652	1,760
Zone 5	357	11	20	-	388
Zone 6	305	262	43	-	610
Zone 7	273	-	54	169	496
NPDES Whitewater	22	-	1	-	23
NPDES Santa Ana	101	2	7	-	110
NPDES Margarita	28	-	1	-	29
Internal Service Funds	-	10	10	16	36
Total Governmental Activities	\$ 5,668	\$ 562	\$ 403	\$ 1,039	\$ 7,672

Business-type activities:

	Accounts	Interest	Due From Other Governments	Total Receivables
Subdivision Operations	\$ 1,531	\$ 10	\$ 53	\$ 1,594
Other Enterprise Funds	35	2	19	56
Total Business-type Activities	\$ 1,566	\$ 12	\$ 72	\$ 1,650

4) DEVELOPER AND OTHER AGENCY DEPOSITS

Developer and other agency deposits are deposits made by developers and other governmental agencies to support service or work performed by the District on behalf of said developers and governmental agencies. Revenue is recognized when it is earned and the liability is decreased on a monthly basis.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

5) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	Zone 4	\$ 302
	NPDES Whitewater	2
	NPDES Santa Ana	16
	NPDES Margarita	2
		<u>322</u>
Hydrology*	Zone 1	6
	Zone 2	10
	Zone 3	1
	Zone 4	11
	Zone 5	2
	Zone 6	4
	Zone 7	4
	<u>38</u>	
Mapping Services*	Zone 1	8
	Zone 2	13
	Zone 3	2
	Zone 4	14
	Zone 5	3
	Zone 6	4
	Zone 7	4
	<u>48</u>	
Total		<u>\$ 408</u>

*Internal Service Funds

These interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

5) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – Continued

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various District operations and re-allocations of special revenues. The following schedule briefly summarizes the District's transfer activity (in thousands):

(a) Between governmental activities:

Transfer From	Transfer To	Amount	Purpose
Operating or Debt Subsidy:			
Zone 1	Capital Project Fund	\$ 97	Capital Project Payments
Zone 2	Capital Project Fund	163	Capital Project Payments
Zone 3	Capital Project Fund	22	Capital Project Payments
Zone 4	Capital Project Fund	176	Capital Project Payments
Zone 5	Capital Project Fund	35	Capital Project Payments
Zone 6	Capital Project Fund	52	Capital Project Payments
Zone 7	Capital Project Fund	55	Capital Project Payments
Zone 1	Internal Service Fund	64	
Zone 2	Internal Service Fund	106	
Zone 3	Internal Service Fund	14	
Zone 4	Internal Service Fund	115	
Zone 5	Internal Service Fund	23	
Zone 6	Internal Service Fund	34	
Zone 7	Internal Service Fund	35	
Internal Service Fund	Zone 1	46	Reimbursement
Internal Service Fund	Zone 2	76	Reimbursement
Internal Service Fund	Zone 3	10	Reimbursement
Internal Service Fund	Zone 4	82	Reimbursement
Internal Service Fund	Zone 5	17	Reimbursement
Internal Service Fund	Zone 6	24	Reimbursement
Internal Service Fund	Zone 7	26	Reimbursement
Total		<u>\$ 1,272</u>	

The internal balances on the government-wide statement of net assets are created by the allocation of internal service fund activity to business-type activities.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Retirements	Transfers and Adjustments	Ending Balance
<u>Governmental Activities:</u>					
<i>Capital Asset, Nondepreciable:</i>					
Land and Easements	\$ 201,046	\$ 7,336	\$ (1)	\$ -	\$ 208,381
Construction in Progress	20,142	8,068	-	(12,672)	15,538
Total Capital Assets, Nondepreciable	<u>221,188</u>	<u>15,404</u>	<u>(1)</u>	<u>(12,672)</u>	<u>223,919</u>
<i>Capital Assets, Depreciable</i>					
Infrastructure	559,931	11,856	-	12,672	584,459
Land Improvements	110	-	-	-	110
Buildings and Improvements	9,796	413	-	-	10,209
Equipment	13,580	971	(904)	-	13,647
Total Capital Assets, Depreciable	<u>583,417</u>	<u>13,240</u>	<u>(904)</u>	<u>12,672</u>	<u>608,425</u>
Less Accumulated Depreciation for:					
Infrastructure	(86,883)	(8,084)	-	-	(94,967)
Land Improvements	(11)	-	-	-	(11)
Buildings and Improvements	(3,011)	(202)	-	-	(3,213)
Equipment	(10,561)	(1,101)	881	-	(10,781)
Total Accumulated Depreciation	<u>(100,466)</u>	<u>(9,387)</u>	<u>881</u>	<u>-</u>	<u>(108,972)</u>
Total Capital Assets, Depreciable, Net	<u>482,951</u>	<u>3,853</u>	<u>(23)</u>	<u>12,672</u>	<u>499,453</u>
Governmental Activities Capital Assets, Net	<u>\$ 704,139</u>	<u>\$ 19,257</u>	<u>\$ (24)</u>	<u>\$ -</u>	<u>\$ 723,372</u>
<u>Business-type Activities:</u>					
<i>Capital Assets, Depreciable</i>					
Equipment	\$ 579	\$ -	\$ (10)	\$ -	\$ 569
Total Capital Assets, Depreciable	<u>579</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>569</u>
Less Accumulated Depreciation for:					
Equipment	(543)	(23)	10	-	(556)
Total Accumulated Depreciation	<u>(543)</u>	<u>(23)</u>	<u>10</u>	<u>-</u>	<u>(556)</u>
Total Capital Assets, Depreciable, Net	<u>36</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>13</u>
Business-type Activities Capital Assets, Net	<u>\$ 36</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
 (Amounts Expressed in Thousands)

6) CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 262
Public Ways and Facilities	8,084
Depreciation on capital assets held by the District's internal service funds is charged to the various functions based on their usage of the assets.	1,041
Total Depreciation Expense – Governmental Functions	\$ 9,387

Depreciation expense was charged to the business-type functions as follows:

Other Enterprise Funds	\$ 23
Total Depreciation Expense – Business-type Functions	\$ 23

7) LONG-TERM OBLIGATIONS

The following is a summary of long-term liability transactions for the year ended June 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 3,032	\$ 736	\$ -	\$ 3,768	\$ 587
Total Governmental Activities – Long-term Liabilities	\$ 3,032	\$ 736	\$ -	\$ 3,768	\$ 587
<u>Business-type Activities:</u>					
Compensated Absences	\$ 108	\$ -	\$ (36)	\$ 72	\$ 11
Total Business-type Activities – Long-term Liabilities	\$ 108	\$ -	\$ (36)	\$ 72	\$ 11

For the governmental activities, compensated absences are generally liquidated by the general fund.

8) SPECIAL ASSESSMENT BONDS

Debt without Government Obligation

The District issued the Elsinore Valley Benefit District (Zone 3) bond for the construction of flood control facilities in Zone 3 of the Special Revenue Funds. The bond is to be repaid through special assessment revenues and is not considered an obligation of the District, as the District's duties are limited to acting as an agent for the assessed property owners and the bondholders. Accordingly, this bond is not reflected in the accompanying financial statements.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
(Amounts Expressed in Thousands)

8) SPECIAL ASSESSMENT BONDS - Continued

In accordance with bond covenants, the District has established a reserve from bond proceeds for potential delinquencies in the amount of a minimum of 8.0 percent to 10.0 percent of the principal amount, which is reported as due to bondholders in the agency funds. If a delinquency occurs in the payment of any assessment installment, the District has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund.

The enactment of Article XIII A of the California Constitution and subsequent legislative enactments effectively repealed the otherwise mandatory duty on the part of the District, under the Bond Law, to levy and collect a special tax (in an amount necessary to meet delinquencies, but not to exceed \$0.10 on each \$100 of assessed value of all taxable property within the County in any one year) if surplus funds are not available to cover delinquencies.

At June 30, 2010, the reserve balance for the bond in the Zone 3 Elsinore Valley Benefit District was included in the agency fund cash and investments or cash with fiscal agent balances, and amounted to \$489. The District's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

Special assessment debt without District obligation consists of the following:

1993 Zone 3 – Limited Obligation Improvement Bonds, bearing interest of 7.9 percent, due in annual installments of \$280 to \$475 plus interest, through September 1, 2017.	<u>\$ 2,965</u>
Total special assessment bonds without governmental obligation:	<u>\$ 2,965</u>

9) NET ASSETS/FUND BALANCES

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ◆ Invested in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation reduces the balance in this category.
- ◆ Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ◆ Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements

June 30, 2010

(Amounts Expressed in Thousands)

10) SELF-INSURANCE PROGRAM

The District participates in the County's self-insurance program. The County is self-insured for public liability, property damage, long-term and short-term disability, unemployment and workers' compensation claims. The County records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred. The County supplements its self-insurance for long-term disability and workers' compensation with insurance policies. The insurance carrier pays all long-term disability payments exceeding the first two years of coverage.

The maximum coverage under the workers' compensation policy is \$500 per claim, and there is no deductible. The County allocates an annual premium to the District based on current payroll costs and an experience modification. The annual premium to the District in fiscal year 2010 was approximately \$283.

11) RETIREMENT PLAN

Plan Description

The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The District selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. PERS issues a separate comprehensive annual financial report. However, a report for the District's plan within PERS is not available.

Copies of the PERS' annual financial report may be obtained from the PERS Executive Office – 400P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the CalPERS hired after January 9, 1992 (SEIU bargaining unit) and September 3, 1992 (LIUNA bargaining unit) are required to contribute 7 or 8 percent of their annual covered salary, depending on their hire date, for the first five (5) years of continuous service. Commencing the sixth (6th) year of continuous service, the District pays the plan member's share of the contribution. The District makes the contribution required of District employees hired prior to the aforementioned dates, respectively, on their behalf and for their account. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2009-10, the employer contribution rate was 12.9 percent.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2010
(Amounts Expressed in Thousands)

11) RETIREMENT PLAN - Continued

Annual Pension Cost and Net Pension Obligation (Asset)

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (NPA)
June 30, 2008	\$ 1,752	100%	\$ (2,362)
June 30, 2009	\$ 1,874	100%	\$ (2,223)
June 30, 2010	\$ 1,951	100%	\$ (2,084)

In June of 2005, the District made a lump sum payment to CalPERS. The lump sum payment of \$2,779 reported by CalPERS as the Assumption Change reduced the District's employer contribution rate 1.9 percent for fiscal year 2005-06. The 1.9% employer contribution rate reduction will remain constant over a 20 year period. The negative net pension obligation (asset) is reported in the Government-wide Statement of Net Assets as a Pension Asset. The annual increase or decrease in the net pension asset is reported in the Government-wide Statement of Activities and in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities – Governmental Activities. The District's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual Required Contribution	\$ 1,951
Interest on Net Pension Obligation (Asset)	-
Adjustments to Annual Required Contribution	-
Annual Pension Cost	1,951
Contributions Made	(1,951)
Pension Asset Amortization	139
Increase (Decrease) in Net Pension Obligation (Asset)	139
Net Pension Obligation (Asset) Beginning of Year	(2,223)
Net Pension Obligation (Asset) End of Year	\$ (2,084)

Actuarial Assumptions

For 2010, the District's annual pension cost of \$1,951 was equal to the District's required contributions. The District's actual contributions were \$1,951, which reflects the required contribution. The annual required contribution was determined as part of the June 30, 2007 actuarial valuation of the plan using the Entry Age Actuarial Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year represents the normal cost.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements

June 30, 2010

(Amounts Expressed in Thousands)

11) RETIREMENT PLAN - Continued

A summary of principal assumptions and methods used to determine the annual required contribution are as follows:

Asset Valuation Method	15 Year Smoothed Market: In the calculation of the actuarial value of assets, market value asset gains and losses are spread over 15 years.
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6.0 percent of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

12) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District participates in the County's program that provides retiree medical benefits for eligible retirees enrolled in County-sponsored and administered retiree medical plans. Benefit provisions are established and amended through negotiations between the County and the respective unions. All employees who retire from active employment after age 50 with 5 years of District service (and are immediately eligible for CalPERS pension benefits) are eligible to participate. Former employees eligible for CalPERS pension benefits but who are not eligible for retirement at termination of employment are not eligible for retiree health benefits. Currently, 86 District employees of an average retirement age meet these eligibility requirements and will be covered upon retirement. Another 82 employees have sufficient time in service to qualify for these benefits upon retirement after age 50.

The District provides retirees access to the same medical coverage as active participants. Prior to age 65, the retiree premiums are the same as active premiums and are developed by blending active and retiree costs. This benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates. Participants who retired prior to January 1, 2009 were eligible for this benefit. After age 65, retiree premiums are based exclusively on retiree costs.

The District has established a qualified Internal Revenue Code Section 115 trust with the California Employers' Retiree Trust (CERBT) to administer the assets of retiree medical plan benefits for District employees. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information related to the established trust. The report may be obtained from CalPERS Employer Services Division, P.O. Box 942709, Sacramento, CA 94229-2709.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements

June 30, 2010

(Amounts Expressed in Thousands)

12) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Funding Policy

The District contributes a portion of an eligible retiree's medical plan premium under a County sponsored health plan (either at retirement or during a subsequent annual enrollment) for the retiree's lifetime. The current monthly amount paid by the District ranges from \$25.00 - \$256.00, depending on the retiree's bargaining unit at retirement. These amounts do not increase in future years to account for inflation.

Dental and vision benefits offered to the District retirees are not considered to vary by age or demographics. Therefore, because a retiree must pay the entire premium amount to receive dental and vision benefits, there is no liability to the District for providing these benefits.

In June 2004, the Government Accounting Standards Board (GASB) issued GASB Statement 45 (GASB 45). GASB 45 addresses accounting and financial reporting for post-employment benefits other than pensions, referred to as OPEB, and requires the District to report OPEB costs on an actuarial basis to account for the future costs of promised benefits. The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB 45. GASB requires the ARC to be developed each year based on the plan's assets and liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Although GASB does not actually require prefunding, the portion of the ARC that is not funded each year would accumulate as a liability on the District's financial statements. Therefore the District opted to pay 100% of the ARC in fiscal year 2009-10.

The District's annual OPEB cost, net OPEB obligation (asset) and the related information for fiscal year ending 2010 were as follows:

Annual Required Contribution	\$	47
Interest on Net Pension Obligation (Asset)		(11)
Adjustments to Annual Required Contribution		9
Annual Pension Cost		45
Contributions Made		(179)
Pension Asset Amortization		-
Increase (Decrease) in Net Pension Obligation (Asset)		(134)
Net OPEB Obligation (Asset) Beginning of Year		(141)
Net OPEB Obligation (Asset) End of Year	\$	(275)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset (NOA)
June 30, 2008	\$ 29	345%	\$ (71)
June 30, 2009	\$ 23	404%	\$ (141)
June 30, 2010	\$ 45	398%	\$ (275)

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2010
 (Amounts Expressed in Thousands)

12) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	2010
Actuarial Accrued Liability (a)	\$ 660
Actuarial Value on Plan Assets (b)	105
Unfunded Actuarial Accrued Liability (Funding Excess) (a) – (b)	555
Funded Ratio (b) / (a)	15.91%
Covered Payroll (c)	\$ 14,396
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll $[(a) - (b)] / (c)$	3.86%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Date	01/01/2009
Actuarial Cost Method	Entry Age Actuarial Cost
Amortization Method	Level Percentage of Projected Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	15-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.25%
Healthcare Inflation Rate	10.00% Initial 5.00% Ultimate

13) CONTINGENCIES AND COMMITMENTS

Lawsuits and Other Claims

The District is named in various legal actions. Management believes that the ultimate resolution of these actions will not have a significant effect on the District's financial position, results or operations. The estimated amount of remaining construction contract obligations at year-end is \$2,909.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements

June 30, 2010

(Amounts Expressed in Thousands)

14) PROPOSITION 1A SECURITIZATION PROGRAM

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was \$4,120.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The District participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

-This page intentionally left blank-

REQUIRED SUPPLEMENTARY INFORMATION

Spill Way (side-view)



"Seven Oaks Dam"

CONTENTS

*Schedule of Funding Progress for PERS
Notes to the Required Supplementary Information
Budgetary Comparison Schedules:
General Fund*

Riverside County Flood Control and Water Conservation District
Schedule of Funding Progress for PERS
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

The tables below show a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial liability as a percentage of annual covered payrolls as of June 30:

Required Supplementary Information
Schedule of Funding Progress – Retirement Program

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2007	\$ 82,383	\$ 90,833	\$ 8,450	90.7%	\$ 13,818	61.2%
June 30, 2008	\$ 88,463	\$ 98,300	\$ 9,837	90.0%	\$ 14,137	69.6%
June 30, 2009	\$ 93,681	\$ 112,268	\$ 18,587	83.4%	\$ 14,668	126.7%

Required Supplementary Information
Schedule of Funding Progress – OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2008	\$ -	\$ 303	\$ 303	0.0%	\$ 14,656	2.1%
June 30, 2009	\$ 100	\$ 337	\$ 237	29.7%	\$ 14,210	1.7%
June 30, 2010	\$ 105	\$ 660	\$ 555	15.9%	\$ 14,396	3.9%

Riverside County Flood Control and Water Conservation District
Notes to Required Supplemental Information
(Amounts Expressed in Thousands)

BUDGETARY COMPARISON SCHEDULES

In accordance with the provisions of the State of California, County Budget Act, Government Code Sections 29000-29144 and Section 30200, the District prepares and adopts a budget under the supervision and control of the Riverside County, Board of Supervisors (the Board) on or before August 30 for each fiscal year. Budgets are adopted for the General fund and Special Revenue funds and are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles.

As adopted by the Board, the District controls expenditures at the class or appropriation level within each category presented on the financial statements as follows:

- General Government
- Public Ways and Facilities
- Capital outlay
- Debt service payments for principal and interest
- Transfers

Encumbrances are commitments related to contracts executed for goods or services. Encumbrances are recorded for budgetary control and accountability purposes in the General and Special Revenue funds. Any outstanding encumbrances at year-end represent the estimated amount of expenditures that may result if the contracts in progress at year-end are completed. If the District has recorded these outstanding contracts in the next fiscal year's budget then encumbrances are not recorded. The unencumbered balances (appropriations less expenditures and encumbrances) lapse at year-end.

Any deficiency of budgeted revenues and other financing sources compared to expenditures and other financing uses is financed by beginning available fund balances as provided for in the State of California, County Budget Act.

**Riverside County Flood Control and Water Conservation District
General Fund**

The *General Fund* is available for any authorized purpose and is used to account for all financial resources except for those accounted for in other funds.

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule - General Fund

For The Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,515	\$ 3,515	\$ 3,003	\$ (512)
Redevelopment Pass-thru	17	17	215	198
Intergovernmental	34	34	44	10
Charges for Services	842	842	1,053	211
Charges for Administrative Services	5,700	5,700	-	(5,700)
Investment Income	10	10	53	43
Use of Assets	6	6	-	(6)
	<u>10,124</u>	<u>10,124</u>	<u>4,368</u>	<u>(5,756)</u>
EXPENDITURES				
General Government	10,336	10,336	4,638	5,698
Capital Outlay	84	84	47	37
	<u>10,420</u>	<u>10,420</u>	<u>4,685</u>	<u>5,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296)</u>	<u>(296)</u>	<u>(317)</u>	<u>(21)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	84	84	-	(84)
Transfers Out	-	-	-	-
	<u>84</u>	<u>84</u>	<u>-</u>	<u>(84)</u>
Net Change in Fund Balance	(212)	(212)	(317)	(105)
Fund Balance, Beginning of Year	<u>5,030</u>	<u>5,030</u>	<u>5,030</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,818</u>	<u>\$ 4,818</u>	<u>\$ 4,713</u>	<u>\$ (105)</u>

Riverside County Flood Control and Water Conservation District Special Revenue Funds

Zone 1: This special revenue fund represents District Zone 1. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 2: This special revenue fund represents District Zone 2. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 3: This special revenue fund represents District Zone 3. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 4: This special revenue fund represents District Zone 4. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 5: This special revenue fund represents District Zone 5. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 6: This special revenue fund represents District Zone 6. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

Zone 7: This special revenue fund represents District Zone 7. This fund was established to account for revenues and expenditures related to providing flood control in this geographical zone. Ad valorem property taxes, developer fees, local cooperative agreements and Federal monies primarily finance this fund.

NPDES – Whitewater: This special revenue fund was established to account for revenue and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Whitewater assessment area. A benefit assessment area primarily finances this fund.

NPDES – Santa Ana: This special revenue fund was established to account for revenue and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Santa Ana assessment area. A benefit assessment area primarily finances this fund.

NPDES – Santa Margarita: This special revenue fund was established to account for revenue and expenditures related to the National Pollutant Discharge Elimination System (NPDES) in the Santa Margarita assessment area. A benefit assessment area primarily finances this fund.

Riverside County Flood Control and Water Conservation District

Budgetary Comparison Schedule

Special Revenue Fund - Zone 1

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 7,426	\$ 7,426	\$ 6,658	\$ (768)
Redevelopment Pass-thru	844	844	1,411	567
Intergovernmental	72	72	97	25
Charges for Services	205	205	1,121	916
Area Drainage Fees	64	64	-	(64)
Investment Income	188	188	243	55
Use of Assets	90	90	120	30
Total Revenues	8,889	8,889	9,650	761
EXPENDITURES				
Public Ways and Facilities	22,234	22,234	9,644	12,590
Capital Outlay	867	867	-	867
Total Expenditures	23,101	23,101	9,644	13,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,212)	(14,212)	6	14,218
OTHER FINANCING SOURCES (USES)				
Transfers In	829	829	46	(783)
Transfers Out	(926)	(926)	(161)	765
Total Other Financing Sources (Uses)	(97)	(97)	(115)	(18)
Net Change in Fund Balance	(14,309)	(14,309)	(109)	14,200
Fund Balance, Beginning of Year	24,353	24,353	24,353	-
Fund Balance, End of Year	\$ 10,044	\$ 10,044	\$ 24,244	\$ 14,200

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 2
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 12,435	\$ 12,435	\$ 10,920	\$ (1,515)
Redevelopment Pass-thru	812	812	1,607	795
Intergovernmental	123	123	159	36
Charges for Services	-	-	10	10
Area Drainage Fees	-	-	179	179
Investment Income	387	387	552	165
Use of Assets	6	6	8	2
Total Revenues	<u>13,763</u>	<u>13,763</u>	<u>13,435</u>	<u>(328)</u>
EXPENDITURES				
Public Ways and Facilities	23,136	23,835	9,089	14,746
Capital Outlay	3,220	3,220	-	3,220
Total Expenditures	<u>26,356</u>	<u>27,055</u>	<u>9,089</u>	<u>17,966</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,593)</u>	<u>(13,292)</u>	<u>4,346</u>	<u>17,638</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	76	76
Transfers Out	(1,548)	(1,548)	(269)	1,279
Total Other Financing Sources (Uses)	<u>(1,548)</u>	<u>(1,548)</u>	<u>(193)</u>	<u>1,355</u>
Net Change in Fund Balance	(14,141)	(14,840)	4,153	18,993
Fund Balance, Beginning of Year	<u>53,719</u>	<u>53,719</u>	<u>53,719</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 39,578</u>	<u>\$ 38,879</u>	<u>\$ 57,872</u>	<u>\$ 18,993</u>

Riverside County Flood Control and Water Conservation District

Budgetary Comparison Schedule

Special Revenue Fund - Zone 3

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,797	\$ 1,797	\$ 1,560	\$ (237)
Redevelopment Pass-thru	1	1	623	622
Intergovernmental	18	18	22	4
Charges for Services	200	200	4	(196)
Investment Income	88	88	107	19
Total Revenues	2,104	2,104	2,316	212
EXPENDITURES				
Public Ways and Facilities	3,370	3,370	1,169	2,201
Capital Outlay	1,260	1,260	-	1,260
Total Expenditures	4,630	4,630	1,169	3,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,526)	(2,526)	1,147	3,673
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	10	10
Transfers Out	(205)	(205)	(36)	169
Total Other Financing Sources (Uses)	(205)	(205)	(26)	179
Net Change in Fund Balance	(2,731)	(2,731)	1,121	3,852
Fund Balance, Beginning of Year	10,833	10,833	10,833	-
Fund Balance, End of Year	\$ 8,102	\$ 8,102	\$ 11,954	\$ 3,852

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 4
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 14,137	\$ 14,137	\$ 11,619	\$ (2,518)
Redevelopment Pass-thru	461	461	889	428
Special Assessments	-	-	125	125
Intergovernmental	139	139	166	27
Charges for Services	400	400	1,392	992
Area Drainage Fees	413	413	468	55
Investment Income	453	453	557	104
Contributions	-	-	2,415	2,415
Use of Assets	8	8	8	-
	<u>16,011</u>	<u>16,011</u>	<u>17,639</u>	<u>1,628</u>
EXPENDITURES				
Public Ways and Facilities	18,855	18,855	7,623	11,232
Capital Outlay	300	300	2,436	(2,136)
	<u>19,155</u>	<u>19,155</u>	<u>10,059</u>	<u>9,096</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,144)</u>	<u>(3,144)</u>	<u>7,580</u>	<u>10,724</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,621	1,621	82	(1,539)
Transfers Out	(1,672)	(1,672)	(291)	1,381
	<u>(51)</u>	<u>(51)</u>	<u>(209)</u>	<u>(158)</u>
Net Change in Fund Balance	(3,195)	(3,195)	7,371	10,566
Fund Balance, Beginning of Year	<u>57,201</u>	<u>57,201</u>	<u>57,201</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 54,006</u>	<u>\$ 54,006</u>	<u>\$ 64,572</u>	<u>\$ 10,566</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 5
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 2,875	\$ 2,875	\$ 2,506	\$ (369)
Redevelopment Pass-thru	37	37	417	380
Intergovernmental	28	28	36	8
Charges for Services	300	300	70	(230)
Investment Income	104	104	125	21
	<u>3,344</u>	<u>3,344</u>	<u>3,154</u>	<u>(190)</u>
EXPENDITURES				
Public Ways and Facilities	7,936	7,936	4,685	3,251
Capital Outlay	35	35	-	35
	<u>7,971</u>	<u>7,971</u>	<u>4,685</u>	<u>3,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,627)</u>	<u>(4,627)</u>	<u>(1,531)</u>	<u>3,096</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	17	17
Transfers Out	(336)	(336)	(58)	278
	<u>(336)</u>	<u>(336)</u>	<u>(41)</u>	<u>295</u>
Total Other Financing Sources (Uses)	<u>(336)</u>	<u>(336)</u>	<u>(41)</u>	<u>295</u>
Net Change in Fund Balance	(4,963)	(4,963)	(1,572)	3,391
Fund Balance, Beginning of Year	<u>14,076</u>	<u>14,076</u>	<u>14,076</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,113</u>	<u>\$ 9,113</u>	<u>\$ 12,504</u>	<u>\$ 3,391</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 6
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 4,255	\$ 4,255	\$ 3,559	\$ (696)
Redevelopment Pass-thru	203	203	661	458
Intergovernmental	39	39	52	13
Charges for Services	2	2	2	-
Investment Income	240	240	256	16
Use of Assets	180	180	43	(137)
Total Revenues	<u>4,919</u>	<u>4,919</u>	<u>4,573</u>	<u>(346)</u>
EXPENDITURES				
Public Ways and Facilities	10,316	10,316	3,871	6,445
Capital Outlay	6,850	6,850	554	6,296
Total Expenditures	<u>17,166</u>	<u>17,166</u>	<u>4,425</u>	<u>12,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,247)</u>	<u>(12,247)</u>	<u>148</u>	<u>12,395</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	24	24
Transfers Out	(497)	(497)	(86)	411
Total Other Financing Sources (Uses)	<u>(497)</u>	<u>(497)</u>	<u>(62)</u>	<u>435</u>
Net Change in Fund Balance	(12,744)	(12,744)	86	12,830
Fund Balance, Beginning of Year	<u>26,080</u>	<u>26,080</u>	<u>26,080</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 13,336</u>	<u>\$ 13,336</u>	<u>\$ 26,166</u>	<u>\$ 12,830</u>

Riverside County Flood Control and Water Conservation District

Budgetary Comparison Schedule

Special Revenue Fund - Zone 7

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 4,439	\$ 4,439	\$ 3,709	\$ (730)
Redevelopment Pass-thru	37	37	406	369
Intergovernmental	51	51	219	168
Charges for Services	-	-	15	15
Area Drainage Fees	49	49	15	(34)
Investment Income	265	265	323	58
Total Revenues	4,841	4,841	4,687	(154)
EXPENDITURES				
Public Ways and Facilities	7,534	7,534	2,344	5,190
Capital Outlay	2,000	2,000	385	1,615
Total Expenditures	9,534	9,534	2,729	6,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,693)	(4,693)	1,958	6,651
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	26	26
Transfers Out	(519)	(519)	(90)	429
Total Other Financing Sources (Uses)	(519)	(519)	(64)	455
Net Change in Fund Balance	(5,212)	(5,212)	1,894	7,106
Fund Balance, Beginning of Year	32,442	32,442	32,442	-
Fund Balance, End of Year	\$ 27,230	\$ 27,230	\$ 34,336	\$ 7,106

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - NPDES - Whitewater
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 275	\$ 275	\$ 294	\$ 19
Charges for Services	351	351	396	45
Investment Income	3	3	4	1
Total Revenues	<u>629</u>	<u>629</u>	<u>694</u>	<u>65</u>
EXPENDITURES				
Public Ways and Facilities	<u>721</u>	<u>721</u>	<u>481</u>	<u>240</u>
Total Expenditures	<u>721</u>	<u>721</u>	<u>481</u>	<u>240</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(92)</u>	<u>(92)</u>	<u>213</u>	<u>305</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balance	(93)	(93)	213	306
Fund Balance, Beginning of Year	<u>370</u>	<u>370</u>	<u>370</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 277</u>	<u>\$ 277</u>	<u>\$ 583</u>	<u>\$ 306</u>

Riverside County Flood Control and Water Conservation District

Budgetary Comparison Schedule

Special Revenue Fund - NPDES - Santa Ana

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 2,000	\$ 2,000	\$ 2,265	\$ 265
Charges for Services	100	100	100	-
Investment Income	35	35	38	3
Total Revenues	2,135	2,135	2,403	268
EXPENDITURES				
Public Ways and Facilities	2,951	2,951	2,390	561
Total Expenditures	2,951	2,951	2,390	561
Excess (Deficiency) of Revenues Over (Under) Expenditures	(816)	(816)	13	829
OTHER FINANCING SOURCES (USES)				
Transfers Out	(8)	(8)	-	8
Total Other Financing Sources (Uses)	(8)	(8)	-	8
Net Change in Fund Balance	(824)	(824)	13	837
Fund Balance, Beginning of Year	4,297	4,297	4,297	-
Fund Balance, End of Year	\$ 3,473	\$ 3,473	\$ 4,310	\$ 837

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - NPDES - Santa Margarita
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 415	\$ 415	\$ 471	\$ 56
Charges for Services	451	451	468	17
Investment Income	5	5	5	-
Total Revenues	<u>871</u>	<u>871</u>	<u>944</u>	<u>73</u>
EXPENDITURES				
Public Ways and Facilities	<u>990</u>	<u>990</u>	<u>789</u>	<u>201</u>
Total Expenditures	<u>990</u>	<u>990</u>	<u>789</u>	<u>201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(119)</u>	<u>(119)</u>	<u>155</u>	<u>274</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balance	(120)	(120)	155	275
Fund Balance, Beginning of Year	<u>515</u>	<u>515</u>	<u>515</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 395</u>	<u>\$ 395</u>	<u>\$ 670</u>	<u>\$ 275</u>

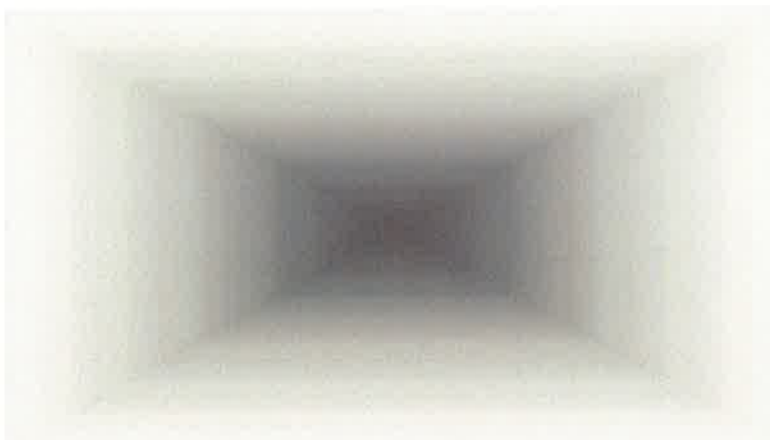
-This page intentionally left blank-

SUPPLEMENTARY INFORMATION

Flood Channel



"Seven Oaks Dam"



CONTENTS

*Budgetary Comparison Schedule
Capital Project Fund
Combining Statements:
Non-Major Enterprise Funds
Internal Service Funds*

**Riverside County Flood Control and Water Conservation District
Capital Project Fund**

The *Flood Control Capital Project Fund* was established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds types.

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Flood Control Capital Project Fund
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 1	\$ 1	\$ -	\$ (1)
Investment Income	-	-	2	2
Total Revenues	-	-	2	2
EXPENDITURES				
Capital Outlay	4,975	4,975	413	4,562
Total Expenditures	4,975	4,975	413	4,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,975)	(4,975)	(411)	4,564
OTHER FINANCING SOURCES (USES)				
Transfers In	4,975	4,975	600	(4,375)
Total Other Financing Sources (Uses)	4,975	4,975	600	(4,375)
Net Change in Fund Balance	-	-	189	189
Fund Balance, Beginning of Year	167	167	167	-
Fund Balance, End of Year	\$ 167	\$ 167	\$ 356	\$ 189

**Riverside County Flood Control and Water Conservation District
Non-Major Enterprise Funds**

Photogrammetry Operations Fund: This fund was established to account for revenues and expenses related to surveying and mapping services performed within the County of Riverside by the Photogrammetry section. Surveying and mapping services are provided to other governmental agencies, private enterprises and individuals.

Encroachment Permits Fund: This fund was established to account for revenue and expenses related to encroachment permit services performed by the Encroachment Permit section. These services are provided to other governmental agencies, developers and individuals. Governmental agencies, developers and individuals must obtain an encroachment permit from the District to gain temporary access to flood control facilities for purposes of completing other construction projects not sponsored by the District.

Riverside County Flood Control and Water Conservation District
Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2010
(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 495	\$ 269	\$ 764
Restricted Cash	-	329	329
Receivables:			
Accounts Receivable	-	35	35
Interest Receivable	1	1	2
Due from Other Funds	-	-	-
Due from Other Governments	-	19	19
	496	653	1,149
Total Current Assets			
Noncurrent Assets:			
Capital Assets:			
Depreciable, Net	13	-	13
	13	-	13
Total Assets	\$ 509	\$ 653	\$ 1,162
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities:			
Accounts Payable	\$ 1	\$ 12	\$ 13
Salaries and Benefits Payable	-	1	1
Due to Other Funds	-	-	-
Compensated Absences - Current Portion	-	2	2
Developer and Other Agency Deposits	-	343	343
	1	358	359
Total Current Liabilities			
Noncurrent Portion of Long-term Liabilities:			
Compensated Absences	2	8	10
	2	8	10
Total Noncurrent Liabilities			
Total Liabilities	3	366	369
Net Assets			
Invested in Capital Assets	13	-	13
Unrestricted	493	287	780
	506	287	793
Total Net Assets			
Total Liabilities and Net Assets	\$ 509	\$ 653	\$ 1,162

Riverside County Flood Control and Water Conservation District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
OPERATING REVENUES			
Charges for Services	\$ 171	\$ 183	\$ 354
OPERATING EXPENSES			
Personnel Services	11	94	105
Administrative Services	27	59	86
Services and Supplies	32	14	46
Depreciation	23	-	23
Total Operating Expenses	93	167	260
Operating Income (Loss)	78	16	94
NONOPERATING REVENUES			
Investment Income	4	6	10
Change in Net Assets	82	22	104
Net Assets, Beginning of Year	424	265	689
Net Assets, End of Year	\$ 506	\$ 287	\$ 793

Riverside County Flood Control and Water Conservation District

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2010

(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers/Other Funds	\$ 176	\$ 247	\$ 423
Cash Paid to Suppliers for Goods and Services	(58)	(64)	(122)
Cash Paid to Employees for Services	(19)	(102)	(121)
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	99	81	180
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	-	-
	<hr/>	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	4	6	10
	<hr/>	<hr/>	<hr/>
Net Cash Provided by Investing Activities	4	6	10
	<hr/>	<hr/>	<hr/>
Net Change in Cash and Cash Equivalents	103	87	190
Cash and Cash Equivalents, Beginning of Year	392	511	903
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	\$ 495	\$ 598	\$ 1,093
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ 78	\$ 16	\$ 94
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	23	-	23
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in:			
Accounts Receivable	-	29	29
Due from Other Funds	4	-	4
Due from Other Governments	1	3	4
Increase (Decrease) in:			
Accounts Payable	1	12	13
Salaries and Benefits Payable	-	(7)	(7)
Due to Other Funds	-	(3)	(3)
Compensated Absences	(8)	(1)	(9)
Developer and Other Agency Deposits	-	32	32
	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 99	\$ 81	\$ 180
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no significant noncash investing, financing, or capital activities.

Riverside County Flood Control and Water Conservation District Internal Service Funds

Hydrology Services Fund: This fund was established to account for revenues and expenses related to hydrological information services performed by the Hydrology section. These services are provided to support zone projects and are charged to the special revenue funds on a cost reimbursement basis.

Garage Fund: This fund was established to account for revenue and expenses related to the operation and maintenance of the District's vehicles. Garage services are provided to support the fleet of vehicles and heavy equipment needed to maintain flood control facilities. These services are charged to all District funds on a cost reimbursement basis.

Project Maintenance Fund: This fund was established to account for revenues and expenses related to the maintenance of the District's flood control facilities. Project maintenance services include weed abatement, repair and preventative maintenance of flood control facilities. These services are charged to the special revenue funds on a cost reimbursement basis.

Mapping Services Fund: This fund was established to account for revenues and expenses related to mapping services performed by the Mapping section. These services are provided to support zone projects and are charged to the special revenue funds of the District.

Data Processing Fund: This fund was established to account for revenues and expenses related to data processing services performed by the Information Technology section. Data processing services include software system support for the computer network, data structure design and organization of the District computer systems. These services are charged to all District funds on a cost reimbursement basis.

Riverside County Flood Control and Water Conservation District
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010
(Amounts Expressed in Thousands)

	Hydrology Services	Garage	Project Maintenance
ASSETS			
Current Assets:			
Cash and Investments	\$ 100	\$ 2,264	\$ 694
Restricted Cash	-	1,002	-
Receivables:			
Accounts Receivable	-	-	-
Interest Receivable	-	5	-
Due from Other Funds	38	-	-
Due from Other Governments	-	-	-
Inventories	-	70	185
	138	3,341	879
Total Current Assets			
Noncurrent Assets:			
Capital Assets:			
Depreciable, Net	15	2,563	-
	15	2,563	-
Total Assets	\$ 153	\$ 5,904	\$ 879
LIABILITIES AND NET ASSETS			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 3	\$ 108	\$ 16
Salaries and Benefits Payable	8	13	-
Due to Other Funds	-	-	-
Compensated Absences - Current Portion	5	10	1
Due to Other Governments	35	-	-
	51	131	17
Total Current Liabilities			
Noncurrent Portion of Long-Term Liabilities:			
Compensated Absences	28	58	5
	28	58	5
Total Noncurrent Liabilities			
Total Liabilities	79	189	22
Net Assets:			
Invested in Capital Assets	15	2,563	-
Unrestricted	59	3,152	857
	74	5,715	857
Total Net Assets			
Total Liabilities and Net Assets	\$ 153	\$ 5,904	\$ 879

Mapping Services	Data Processing	Total
\$ 443	\$ 2,139	\$ 5,640
1	-	1,003
10	-	10
1	4	10
48	-	86
-	16	16
-	-	255
<u>503</u>	<u>2,159</u>	<u>7,020</u>
<u>143</u>	<u>66</u>	<u>2,787</u>
<u>\$ 646</u>	<u>\$ 2,225</u>	<u>\$ 9,807</u>
\$ 52	\$ 38	\$ 217
5	23	49
-	-	-
5	17	38
-	-	35
<u>62</u>	<u>78</u>	<u>339</u>
<u>27</u>	<u>90</u>	<u>208</u>
<u>27</u>	<u>90</u>	<u>208</u>
<u>89</u>	<u>168</u>	<u>547</u>
<u>143</u>	<u>66</u>	<u>2,787</u>
<u>414</u>	<u>1,991</u>	<u>6,473</u>
<u>557</u>	<u>2,057</u>	<u>9,260</u>
<u>\$ 646</u>	<u>\$ 2,225</u>	<u>\$ 9,807</u>

Riverside County Flood Control and Water Conservation District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Hydrology Services	Garage	Project Maintenance
OPERATING REVENUES			
Charges for Services	\$ 770	\$ 3,206	\$ 888
OPERATING EXPENSES			
Personnel Services	325	671	14
Administrative Services	70	150	2
Services and Supplies	343	1,019	642
Depreciation	2	928	-
Total Operating Expenses	740	2,768	658
Operating Income (Loss)	30	438	230
NONOPERATING REVENUES			
Investment Income	-	28	4
Gain on Sale of Capital Assets	-	37	-
Total Nonoperating Revenues	-	65	4
Income (Loss) Before Transfers	30	503	234
Transfers In	17	325	-
Transfers Out	-	-	-
Total Transfers In (Out)	17	325	-
Change in Net Assets	47	828	234
Net Assets, Beginning of Year	27	4,887	623
Net Assets, End of Year	\$ 74	\$ 5,715	\$ 857

Mapping Services	Data Processing	Total
\$ 404	\$ 1,600	\$ 6,868
311	1,044	2,365
64	179	465
143	827	2,974
55	56	1,041
573	2,106	6,845
(169)	(506)	23
6	21	59
-	-	37
6	21	96
(163)	(485)	119
49	-	391
(281)	-	(281)
(232)	-	110
(395)	(485)	229
952	2,542	9,031
\$ 557	\$ 2,057	\$ 9,260

Riverside County Flood Control and Water Conservation District
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010
(Amounts Expressed in Thousands)

	Hydrology Services	Garage	Project Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Interfund Services Provided	\$ 769	\$ 3,313	\$ 893
Cash Paid to Suppliers for Goods and Services	(421)	(1,090)	(665)
Cash Paid to Employees for Services	(325)	(674)	(17)
Net Cash Provided by (Used in) Operating Activities	<u>23</u>	<u>1,549</u>	<u>211</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Received	-	325	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>325</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Capital Assets	-	37	-
Acquisition and Construction of Capital Assets	-	(797)	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(760)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	-	28	5
Net Cash Provided by Investing Activities	<u>-</u>	<u>28</u>	<u>5</u>
Net Change in Cash and Cash Equivalents	23	1,142	216
Cash and Cash Equivalents, Beginning of Year	77	2,124	478
Cash and Cash Equivalents, End of Year	<u>\$ 100</u>	<u>\$ 3,266</u>	<u>\$ 694</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 30	\$ 438	\$ 230
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	2	928	-
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in:			
Accounts Receivable	-	-	-
Due from Other Funds	(1)	107	5
Due from Other Governments	-	-	-
Inventories	-	7	(35)
Increase (Decrease) in:			
Accounts Payable	-	87	14
Salaries and Benefits Payable	(8)	(16)	(5)
Due to Other Funds	(9)	(15)	-
Compensated Absences	8	13	2
Due to Other Governments	1	-	-
Net Cash Provided by (Used in) Operating Activities:	<u>\$ 23</u>	<u>\$ 1,549</u>	<u>\$ 211</u>

There were no significant noncash investing, financing, or capital activities.

Mapping Services	Data Processing	Total
\$ 355	\$ 1,637	\$ 6,967
(162)	(995)	(3,333)
(310)	(1,049)	(2,375)
(117)	(407)	1,259
(232)	-	93
(232)	-	93
-	-	37
(63)	(19)	(879)
(63)	(19)	(842)
8	24	65
8	24	65
(404)	(402)	575
848	2,541	6,068
\$ 444	\$ 2,139	\$ 6,643
\$ (169)	\$ (506)	\$ 23
55	56	1,041
(1)	-	(1)
(48)	53	116
-	(16)	(16)
-	-	(28)
51	29	181
(8)	(24)	(61)
(6)	(18)	(48)
9	19	51
-	-	1
\$ (117)	\$ (407)	\$ 1,259

Riverside County Flood Control and Water Conservation District Agency Funds

Special assessment/improvement districts with debt without government obligation:

Assessment District 4-5: The assessment district was formed and bonds issued to finance the construction of the Bradley Road Channel. The Bradley Road Channel is a retention basin and outlet channel in the unincorporated area of Riverside County, south of Sun City along Bradley Road between Holland Road on the south and Salt Creek Channel on the north.

Elsinore Valley Assessment District – Zone 3: The bonds issued are for the purpose of providing funds for certain public improvements to a benefit assessment area of approximately 52 square miles within Zone 3. The phased improvements include the acquisition of real property and construction of certain storm and flood control facilities, together, with appurtenances and rights of way.

Other Agency Funds

SAMP Grant Fund: This fund was established to account for the administration of the Special Area Management Plan (SAMP). Federal funds and County-matching funds are held by the District and released to the Environmental Protection Agency upon completion of work.

Flood Stop Notices Fund: This fund was established to account for “stop notice” payment funds withheld from vendors under contract (primary contractor) with the District to construct flood control facilities. The primary contractor retains sub-contractors to provide services and materials to complete a construction project. A sub-contractor will file “stop notices” against a primary contractor when a primary contractor fails to make payment on an invoice. The District holds payment to the primary contractor until such a time when the primary contractor makes payment on outstanding invoices to the sub-contractor.

Special Subdivision Fund: This fund was established to account for funds placed on deposit by developers to ensure developer constructed flood control facilities are constructed in accordance with the conditions set forth by the District. The funds are released to the developer once the flood control facility has been inspected, approved and accepted into the District maintenance system pursuant to the terms of a Board of Supervisors executed agreement between the developer and the District.

Riverside County Flood Control and Water Conservation District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010
(Amounts Expressed in Thousands)

<u>District 4-5</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash and Investments with Fiscal Agents	\$ 613	\$ 117	\$ 730	\$ -
Total Assets	<u>\$ 613</u>	<u>\$ 117</u>	<u>\$ 730</u>	<u>\$ -</u>
LIABILITIES				
Matured Bonds Payable	\$ 20	\$ 10	\$ 30	\$ -
Due to Bondholders	<u>593</u>	<u>137</u>	<u>730</u>	<u>-</u>
Total Liabilities	<u>\$ 613</u>	<u>\$ 147</u>	<u>\$ 760</u>	<u>\$ -</u>
<u>Elsinore Valley Benefit District - Zone 3</u>				
ASSETS				
Cash and Investments with Fiscal Agents	\$ 2,434	\$ 273	\$ 392	\$ 2,315
Total Assets	<u>\$ 2,434</u>	<u>\$ 273</u>	<u>\$ 392</u>	<u>\$ 2,315</u>
LIABILITIES:				
Due to Bondholders	\$ 2,434	\$ 273	\$ 392	\$ 2,315
Total Liabilities	<u>\$ 2,434</u>	<u>\$ 273</u>	<u>\$ 392</u>	<u>\$ 2,315</u>

Riverside County Flood Control and Water Conservation District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010
(Amounts Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>SAMP Grant</u>				
ASSETS				
Cash and Investments	\$ 25	\$ -	\$ -	\$ 25
Total Assets	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>
LIABILITIES				
Due to Other Governments	\$ 25	\$ -	\$ -	\$ 25
Total Liabilities	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>
<u>Flood Stop Notices</u>				
ASSETS				
Cash and Investments	\$ 2	\$ 47	\$ -	\$ 49
Total Assets	<u>\$ 2</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 49</u>
LIABILITIES				
Accounts Payable	\$ 2	\$ 47	\$ -	\$ 49
Total Liabilities	<u>\$ 2</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 49</u>
<u>Special Subdivision</u>				
ASSETS				
Cash and Investments	\$ 2,987	\$ 878	\$ 1,149	\$ 2,716
Total Assets	<u>\$ 2,987</u>	<u>\$ 878</u>	<u>\$ 1,149</u>	<u>\$ 2,716</u>
LIABILITIES				
Accounts Payable	\$ 2,987	\$ 878	\$ 1,149	\$ 2,716
Total Liabilities	<u>\$ 2,987</u>	<u>\$ 878</u>	<u>\$ 1,149</u>	<u>\$ 2,716</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and Investments	\$ 3,014	\$ 925	\$ 1,149	\$ 2,790
Cash and Investments with Fiscal Agents	3,047	390	1,122	2,315
Total Assets	<u>\$ 6,061</u>	<u>\$ 1,315</u>	<u>\$ 2,271</u>	<u>\$ 5,105</u>
LIABILITIES				
Accounts Payable	\$ 2,989	\$ 925	\$ 1,149	\$ 2,765
Matured Bonds Payable	20	10	30	-
Due to Bondholders	3,027	410	1,122	2,315
Due to Other Governments	25	-	-	25
Total Liabilities	<u>\$ 6,061</u>	<u>\$ 1,345</u>	<u>\$ 2,301</u>	<u>\$ 5,105</u>

-This page intentionally left blank-

Riverside County Flood Control and Water Conservation District
Net Assets by Component
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

Page 1

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Invested in capital assets, net of related debt	\$ 475,283	\$ 487,331	\$ 495,570	\$ 547,589	\$ 598,366
Restricted	208	-	-	118,694	133,481
Unrestricted	114,427	125,720	128,365	10,124	9,242
Total governmental activities net assets	\$ 589,918	\$ 613,051	\$ 623,935	\$ 676,407	\$ 741,089
Business - type activities					
Invested in capital assets, net of related debt	\$ 132	\$ 175	\$ 126	\$ 92	\$ 71
Restricted	-	-	-	-	-
Unrestricted	858	1,293	800	1,014	1,500
Total business-type activities net assets	\$ 990	\$ 1,468	\$ 926	\$ 1,106	\$ 1,571
Primary government					
Invested in capital assets, net of related debt	\$ 475,415	\$ 487,506	\$ 495,696	\$ 547,681	\$ 598,437
Restricted	208	-	-	118,694	133,481
Unrestricted	115,285	127,013	129,165	11,138	10,742
Total primary government net assets	\$ 590,908	\$ 614,519	\$ 624,861	\$ 677,513	\$ 742,660

Source: CAFR - Statement of Net Assets for the Government-wide Financial Statements

Note: Last ten years data not available. The District implemented GASB 34 in fiscal year 2001-2002.

Riverside County Flood Control and Water Conservation District
Net Assets by Component
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

Page 2

Fiscal Year				
2007	2008	2009	2010	
				Governmental Activities
\$ 638,773	\$ 658,848	\$ 704,139	\$ 723,372	Invested in capital assets, net of related debt
162,709	195,493	223,886	237,211	Restricted
10,000	10,124	10,610	15,014	Unrestricted
<u>\$ 811,482</u>	<u>\$ 864,465</u>	<u>\$ 938,635</u>	<u>\$ 975,597</u>	Total governmental activities net assets
				Business - type activities
\$ 54	\$ 39	\$ 36	\$ 13	Invested in capital assets, net of related debt
-	-	-	-	Restricted
2,448	3,286	3,691	3,452	Unrestricted
<u>\$ 2,502</u>	<u>\$ 3,325</u>	<u>\$ 3,727</u>	<u>\$ 3,465</u>	Total business-type activities net assets
				Primary government
\$ 638,827	\$ 658,887	\$ 704,175	\$ 723,385	Invested in capital assets, net of related debt
162,709	195,493	223,886	237,211	Restricted
12,448	13,410	14,301	18,466	Unrestricted
<u>\$ 813,984</u>	<u>\$ 867,790</u>	<u>\$ 942,362</u>	<u>\$ 979,062</u>	Total primary government net assets

Riverside County Flood Control and Water Conservation District

Changes in Net Assets

Last Ten Fiscal Years

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

Page 1

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General government	\$ 5,224	\$ 5,366	\$ 6,670	\$ 8,002	\$ 9,725
Public ways and facilities	20,503	19,622	34,225	29,964	31,517
Interest on long-term debt	102	54	28	18	3
Total governmental activities expenses	<u>25,829</u>	<u>25,042</u>	<u>40,923</u>	<u>37,984</u>	<u>41,245</u>
Business-type activities:					
Subdivision operations	1,860	1,699	2,914	4,136	4,719
Photogrammetry operations	250	227	196	183	338
Enroachment permits	105	114	122	216	250
Total business-type activities expenses	<u>2,215</u>	<u>2,040</u>	<u>3,232</u>	<u>4,535</u>	<u>5,307</u>
Total primary government expenses	<u>\$ 28,044</u>	<u>\$ 27,082</u>	<u>\$ 44,155</u>	<u>\$ 42,519</u>	<u>\$ 46,552</u>
Program Revenues					
Governmental Activities					
Charges for services:					
General government	\$ 3,876	\$ 4,938	\$ 4,589	\$ 7,041	\$ 8,470
Public ways and facilities	10,731	10,288	10,598	16,478	11,399
Capital grants and contributions	22,609	6,233	7,037	31,756	38,156
Total governmental activities program revenues	<u>37,216</u>	<u>21,459</u>	<u>22,224</u>	<u>55,275</u>	<u>58,025</u>
Business-type activities					
Charges for services:					
Subdivision operations	1,697	1,912	2,364	4,249	4,865
Photogrammetry operations	209	151	145	164	389
Enroachment permits	95	104	147	211	307
Total business-type activities program revenues	<u>2,001</u>	<u>2,167</u>	<u>2,656</u>	<u>4,624</u>	<u>5,561</u>
Total primary government program revenues	<u>\$ 39,217</u>	<u>\$ 23,626</u>	<u>\$ 24,880</u>	<u>\$ 59,899</u>	<u>\$ 63,586</u>
Net (expense)/revenue					
Governmental activities	\$ 11,387	\$ (3,583)	\$ (18,699)	\$ 17,291	\$ 16,780
Business-type activities	(214)	127	(576)	89	254
Total primary government net (expense)/revenue	<u>\$ 11,173</u>	<u>\$ (3,456)</u>	<u>\$ (19,275)</u>	<u>\$ 17,380</u>	<u>\$ 17,034</u>
General Revenues and Other Changes in					
Net Assets					
Governmental activities:					
Taxes:					
Property Taxes	\$ 22,633	\$ 25,058	\$ 28,620	\$ 32,306	\$ 42,701
Redevelopment pass-thru	-	-	-	-	-
Unrestricted interest and investment earnings	2,591	1,653	941	2,771	4,583
Gain on sale of capital assets	-	5	15	61	618
Other	-	-	7	43	-
Total governmental activities	<u>25,224</u>	<u>26,716</u>	<u>29,583</u>	<u>35,181</u>	<u>47,902</u>
Business-type activities:					
Unrestricted interest and investment earnings	49	34	34	91	211
Total business-type activities	<u>49</u>	<u>34</u>	<u>34</u>	<u>91</u>	<u>211</u>
Total primary government	<u>\$ 25,273</u>	<u>\$ 26,750</u>	<u>\$ 29,617</u>	<u>\$ 35,272</u>	<u>\$ 48,113</u>
Change in Net Assets					
Governmental activities	\$ 36,611	\$ 23,133	\$ 10,884	\$ 52,472	\$ 64,682
Business-type activities	(165)	161	(542)	180	465
Total primary government	<u>\$ 36,446</u>	<u>\$ 23,294</u>	<u>\$ 10,342</u>	<u>\$ 52,652</u>	<u>\$ 65,147</u>

Source: CAFR - Statement of Activities for the Government-wide Financial Statements

Note: Last ten years data not available. The District implemented GASB 34 in fiscal year 2001-2002.

Riverside County Flood Control and Water Conservation District
Changes in Net Assets
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

Page 2

Fiscal Year			
2007	2008	2009	2010
\$ 8,988	\$ 9,195	\$ 9,660	\$ 5,928
34,806	35,384	39,712	41,769
-	-	-	-
<u>43,794</u>	<u>44,579</u>	<u>49,372</u>	<u>47,697</u>
5,169	3,833	2,340	1,520
145	202	246	93
164	135	237	167
<u>5,478</u>	<u>4,170</u>	<u>2,823</u>	<u>1,780</u>
<u>\$ 49,272</u>	<u>\$ 48,749</u>	<u>\$ 52,195</u>	<u>\$ 49,477</u>
\$ 5,861	\$ 4,248	\$ 5,742	\$ 1,149
11,753	4,770	9,087	5,215
37,635	23,565	45,798	21,538
<u>55,249</u>	<u>32,583</u>	<u>60,627</u>	<u>27,902</u>
5,703	4,204	2,490	1,082
142	282	288	171
187	175	248	183
<u>6,032</u>	<u>4,661</u>	<u>3,026</u>	<u>1,436</u>
<u>\$ 61,281</u>	<u>\$ 37,244</u>	<u>\$ 63,653</u>	<u>\$ 29,338</u>
\$ 11,455	\$ (11,996)	\$ 11,255	\$ (19,795)
554	491	203	(344)
<u>\$ 12,009</u>	<u>\$ (11,505)</u>	<u>\$ 11,458</u>	<u>\$ (20,139)</u>
\$ 51,035	\$ 56,791	\$ 55,791	\$ 46,280
-	-	-	8,111
7,842	8,349	5,835	2,324
61	(161)	1,289	42
-	-	-	-
<u>58,938</u>	<u>64,979</u>	<u>62,915</u>	<u>56,757</u>
377	332	199	82
377	332	199	82
<u>\$ 59,315</u>	<u>\$ 65,311</u>	<u>\$ 63,114</u>	<u>\$ 56,839</u>
\$ 70,393	\$ 52,983	\$ 74,170	\$ 36,962
931	823	402	(262)
<u>\$ 71,324</u>	<u>\$ 53,806</u>	<u>\$ 74,572</u>	<u>\$ 36,700</u>

Expenses

Governmental Activities:

- General government
- Public ways and facilities
- Interest on long-term debt

Total governmental activities expenses

Business-type activities:

- Subdivision operations
- Photogrammetry operations
- Enroachment permits

Total business-type activities expenses

Total primary government expenses

Program Revenues

Governmental Activities

Charges for services:

- General government
- Public ways and facilities
- Capital grants and contributions

Total governmental activities program revenues

Business-type activities

Charges for services:

- Subdivision operations
- Photogrammetry operations
- Enroachment permits

Total business-type activities program revenues

Total primary government program revenues

Net (expense)/revenue

Governmental activities

Business-type activities

Total primary government net (expense)/revenue

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes:

- Property Taxes
- Redevelopment pass-thru
- Unrestricted interest and investment earnings
- Gain on sale of capital assets
- Other

Total governmental activities

Business-type activities:

- Unrestricted interest and investment earnings

Total business-type activities

Total primary government

Change in Net Assets

Governmental activities

Business-type activities

Total primary government

Riverside County Flood Control and Water Conservation District
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Total
2001-02	\$ 22,633	\$ 22,633
2002-03	25,058	25,058
2003-04	28,620	28,620
2004-05	32,306	32,306
2005-06	42,701	42,701
2006-07	51,035	51,035
2007-08	56,791	56,791
2008-09	55,791	55,791
2009-10	46,280	46,280

Source: CAFR - Statement of Activities for the Government-wide Financial Statements

Note: Last ten years data not available. The District implemented GASB 34 in fiscal year 2001-2002.

-This page intentionally left blank-

Riverside County Flood Control and Water Conservation District
Fund Balances of Governmental Funds
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

Page 1

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ -	\$ 6	\$ 48	\$ 1	\$ 1
Unreserved	1,562	1,591	2,775	2,577	1,360
Total general fund	<u>\$ 1,562</u>	<u>\$ 1,597</u>	<u>\$ 2,823</u>	<u>\$ 2,578</u>	<u>\$ 1,361</u>
All other governmental funds					
Reserved	\$ 76	\$ 2,998	\$ 7,049	\$ 19,051	\$ 3,913
Unreserved, reported in:					
Special revenue funds	98,095	108,072	113,398	104,904	118,699
Capital project fund	124	276	224	105	88
Total all other governmental funds	<u>\$ 98,295</u>	<u>\$ 111,346</u>	<u>\$ 120,671</u>	<u>\$ 124,060</u>	<u>\$ 122,700</u>

Source: CAFR - Balance Sheet for the Governmental Funds

Riverside County Flood Control and Water Conservation District
Fund Balances of Governmental Funds
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

Page 2

Fiscal Year					
2006	2007	2008	2009	2010	
					General Fund
\$ 21	\$ 1	\$ 1	\$ -	\$ -	Reserved
3,469	4,411	3,932	5,030	4,713	Unreserved
<u>\$ 3,490</u>	<u>\$ 4,412</u>	<u>\$ 3,933</u>	<u>\$ 5,030</u>	<u>\$ 4,713</u>	Total general fund
					All other governmental funds
\$ 1,017	\$ -	\$ -	\$ -	\$ -	Reserved
133,481	162,709	195,493	223,886	237,211	Unreserved, reported in:
143	104	23	167	356	Special revenue funds
<u>\$ 134,641</u>	<u>\$ 162,813</u>	<u>\$ 195,516</u>	<u>\$ 224,053</u>	<u>\$ 237,567</u>	Total all other governmental funds

Riverside County Flood Control and Water Conservation District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

Page 1

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues					
Property taxes	\$ 20,800	\$ 22,633	\$ 25,058	\$ 28,620	\$ 32,306
Redevelopment pass-thru	-	-	-	-	-
Special assessments	2,200	2,291	2,419	2,464	2,347
Inter-governmental	570	-	-	-	-
Charges for services	6,151	10,565	7,300	7,489	18,469
Area drainage fees	4,146	2,998	2,928	7,027	4,629
Interest income	5,804	2,526	1,626	913	2,703
Contributions	-	-	-	-	-
Use of assets	821	1,044	4,998	671	121
Total revenues	<u>40,492</u>	<u>42,057</u>	<u>44,329</u>	<u>47,184</u>	<u>60,575</u>
Expenditures					
General government	5,345	5,386	5,649	6,793	10,169
Public ways and facilities	16,447	20,700	25,447	36,285	51,680
Capital outlay	924	1,328	1,714	596	655
Debt service:					
Principal	1,318	864	875	295	310
Interest	182	117	70	39	24
Total expenditures	<u>24,216</u>	<u>28,395</u>	<u>33,755</u>	<u>44,008</u>	<u>62,838</u>
Excess of revenues over (under) expenditures	16,276	13,662	10,574	3,176	(2,263)
Other financing sources (uses)					
Proceeds from bond issuance	-	-	-	-	-
Transfers in	2,165	1,216	1,189	374	369
Transfers out	(2,108)	(1,216)	(1,212)	(406)	(683)
Sale of Capital Assets	-	-	-	-	-
Total other financing sources (uses)	<u>57</u>	<u>-</u>	<u>(23)</u>	<u>(32)</u>	<u>(314)</u>
Net change in fund balances	<u>\$ 16,333</u>	<u>\$ 13,662</u>	<u>\$ 10,551</u>	<u>\$ 3,144</u>	<u>\$ (2,577)</u>
Debt service as a percentage of noncapital expenditures	6.88%	3.76%	3.04%	0.78%	0.54%

Source: CAFR - Statement of Revenues, Expenditures and Changes in Fund Balance - Government Funds

Riverside County Flood Control and Water Conservation District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

Page 2

Fiscal Year					
2006	2007	2008	2009	2010	
					Revenues
\$ 42,701	\$ 51,035	\$ 56,791	\$ 55,791	\$ 43,534	Property taxes
-	-	-	-	6,229	Redevelopment pass-thru
2,436	2,620	2,705	2,893	3,155	Special assessments
887	4,920	463	645	795	Inter-governmental
11,175	8,497	6,703	13,034	4,631	Charges for services
7,541	3,847	1,406	1,000	662	Area drainage fees
4,463	7,629	8,095	5,680	2,265	Interest income
-	-	-	-	2,415	Contributions
73	188	818	1,422	179	Use of assets
<u>69,276</u>	<u>78,736</u>	<u>76,981</u>	<u>80,465</u>	<u>63,865</u>	Total revenues
					Expenditures
9,139	8,545	8,601	8,371	4,638	General government
42,699	39,143	34,437	36,029	42,085	Public ways and facilities
3,528	1,230	1,230	6,342	3,835	Capital outlay
					Debt service:
325	-	-	-	-	Principal
8	-	-	-	-	Interest
<u>55,699</u>	<u>48,918</u>	<u>44,268</u>	<u>50,742</u>	<u>50,558</u>	Total expenditures
13,577	29,818	32,713	29,723	13,307	Excess of revenues over (under) expenditures
					Other financing sources (uses)
-	-	-	-	-	Proceeds from bond issuance
1,945	339	-	619	881	Transfers in
(2,151)	(1,063)	(489)	(708)	(991)	Transfers out
699	-	-	-	-	Sale of Capital Assets
<u>493</u>	<u>(724)</u>	<u>(489)</u>	<u>(89)</u>	<u>(110)</u>	Total other financing sources (uses)
<u>\$ 14,070</u>	<u>\$ 29,094</u>	<u>\$ 32,224</u>	<u>\$ 29,634</u>	<u>\$ 13,197</u>	Net change in fund balances
0.64%	0.00%	0.00%	0.00%	0.00%	Debt service as a percentage of noncapital expenditures

Riverside County Flood Control and Water Conservation District
General Governmental Tax Revenues by Source
Last Ten Fiscal Years

(Amounts Expressed in Thousands - Modified Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Total
2000-01	20,800	20,800
2001-02	22,633	22,633
2002-03	25,058	25,058
2003-04	28,620	28,620
2004-05	32,306	32,306
2005-06	42,701	42,701
2006-07	51,305	51,305
2007-08	56,791	56,791
2008-09	55,791	55,791
2009-10	43,534	43,534

Source: CAFR - Combined Statement of Revenues, Expenditures and
Changes in Fund Balances All Governmental Fund Types

-This page intentionally left blank-

Riverside County Flood Control and Water Conservation District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Page 1

Fiscal Year Ended June 30	Real Property			Personal Property
	Residential Property	Commercial Property	Other	Other
2004-05	\$ 80,794,268	\$ 27,502,556	\$ 27,699,681	\$ 4,151,837
2005-06	124,594,705	33,091,453	42,964,130	4,704,815
2006-07	147,032,777	38,971,178	48,341,171	5,163,074
2007-08	144,017,064	43,619,731	49,753,730	5,589,865
2008-09	120,318,983	46,176,540	45,510,406	5,433,642
2009-10	116,703,601	45,282,612	41,029,947	5,189,101

Source: Assessor Annual Report - County of Riverside. Assessed Valuations are reported for all of Riverside County.

Notes: Property in the county is reassessed annually. The county assesses property at 100 percent of actual value, subject to the limitations of Prop 13, for all types of real and personal property.

Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

¹ Includes tax exempt property

Riverside County Flood Control and Water Conservation District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Page 2

<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage Actual Value ¹</u>
\$ 4,657,680.12	\$ 135,490,661.88	\$ 1.00000	\$ 140,148,342	100%
5,109,755	200,245,348	1.00000	205,355,103	100%
5,529,547	233,978,653	1.00000	239,508,200	100%
6,109,816	236,870,574	1.00000	242,980,390	100%
6,154,324	211,285,247	1.00000	217,439,571	100%
6,591,002	201,614,259	1.00000	208,205,261	100%

**Riverside County Flood Control and Water Conservation District
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	Overlapping Rates						Total Direct & Overlapping Rates
	Flood Control Zone 1	County		School District	City of Riverside	Metro Water West	
		Riverside County General	County Wide				
2000-01	0.00000	-	1.00000	0.00000	0.00000	0.00880	1.00880
2001-02	0.00000	-	1.00000	0.00000	0.00000	0.00770	4.00000
2002-03	0.00000	-	1.00000	0.05000	0.00000	0.00670	1.05670
2003-04	0.00000	-	1.00000	0.04993	0.00000	0.00610	1.05603
2004-05	0.00000	-	1.00000	0.05848	0.01092	0.00580	1.07520
2005-06	0.00000	-	1.00000	0.05854	0.00861	0.00520	1.07235
2006-07	0.00000	-	1.00000	0.05315	0.00821	0.00470	1.06606
2007-08	0.00000	-	1.00000	0.04775	0.00627	0.00450	1.05852
2008-09	0.00000	-	1.00000	0.43068	0.14552	0.00000	1.57620
2009-10	0.00000	-	1.00000	0.43068	0.14552	0.00000	1.57620

Source: Auditor-Controller - County of Riverside, Auditor-Controller's Office

Riverside County Flood Control and Water Conservation District
Principal Property Taxpayers
June 30, 2010

(Amounts Expressed in Thousands)

Taxpayer	2010			2005		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value
Southern California Edison Company	\$ 16,374	1	0.56%	\$ 7,276	2	0.42%
Verizon California Inc.	8,607	2	0.29%	7,461	1	0.43%
Inland Empire Energy Ctr LLC	7,768	3	0.26%			
Deutsche Bank Natl Trust Company	7,610	4	0.26%			
Southern California Gas Company	5,694	5	0.19%	3,621	5	0.21%
US Bank National Association	5,420	6	0.18%			
Centex Homes	4,586	7	0.16%	5,252	3	0.30%
Bank of New York	3,744	8	0.13%			
Tyler Mall Ltd Partnership	3,270	9	0.11%	2,221	12	0.13%
Abbott Vascular Inc.	3,238	10	0.11%			
Federal National Mortgage Association	3,138	11	0.11%			
HSBC Bank USA	3,017	12	0.10%			
Wells Fargo Bank	3,004	13	0.10%			
KB Home Coastal Inc.	2,788	14	0.10%	3,924	4	0.22%
Federal Home Loan Mortgage Corporation	2,780	15	0.09%			
Pulte Home Corp				3,221	6	0.18%
Blythe Energy, LLC				3,099	7	0.18%
Pardee Homes				2,907	8	0.17%
KSL Desert Resorts Inc.				2,449	9	0.14%
Murdy S.P.				2,339	10	0.13%
DS Hotel				2,303	11	0.13%
Western Pacific Housing				2,174	13	0.12%
Costco Wholesale Corporation				1,634	14	0.09%
Starwood Mission Hills CMBS				1,621	15	0.09%
Totals	\$ 81,038		2.75%	\$ 51,502		2.94%

Source: County Treasurer-Tax Collector

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

Riverside County Flood Control and Water Conservation District
Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount²	Percent of Levy
2000-01	17,531	18,352	104.7%	-	18,352	104.7%
2001-02	21,108	20,494	97.1%	-	20,494	97.1%
2002-03	23,611	22,380	94.8%	-	22,380	94.8%
2003-04	27,437	23,168	84.4%	-	23,168	84.4%
2004-05	33,125	26,882	81.2%	-	26,882	81.2%
2005-06	41,048	31,566	76.9%	-	31,566	76.9%
2006-07	47,333	41,672	88.0%	-	41,672	88.0%
2007-08	46,491	48,072	103.4%	-	48,072	103.4%
2008-09	39,817	49,638	124.7%	-	49,638	124.7%
2009-10	38,469	40,690	105.8%	-	40,690	105.8%

Notes:

¹ Based on information available November 9, 2010 from the County of Riverside, Auditor Controller's Office.

² Includes current and prior year's redemption, penalties and interest.

Riverside County Flood Control and Water Conservation District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Government Activities		Total Primary Government	Percentage of Personal Income	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds			
2005	\$ 325	\$ 6,635	\$ 6,960	0.02%	\$ 4
2006	-	5,775	5,775	0.01%	3
2007	-	4,695	4,695	0.01%	2
2008	-	4,180	4,180	0.01%	2
2009	-	3,720	3,720	0.01%	2
2010	-	2,965	2,965	0.00%	1

Sources: CAFR - Long-term Debt Schedule

Assessor, County of Riverside - Assessed valuations are reported for the District only.

Notes: Detail regarding the District's outstanding debt can be found in the Notes to the Financial Statements. Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

¹ Amounts expressed in thousands, except Per Capita amount.

Riverside County Flood Control and Water Conservation District
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property¹	Per Capita²
2000-01	2,635	76	2,559	0.00%	1.59
2001-02	1,805	239	1,566	0.00%	0.95
2002-03	930	242	688	0.00%	0.40
2003-04	635	242	393	0.00%	0.22
2004-05	325	242	83	0.00%	0.04
2005-06	-	-	-	-	-
2006-07	-	-	-	-	-
2007-08	-	-	-	-	-
2008-09	-	-	-	-	-
2009-10	-	-	-	-	-

Sources: State of California, Department of Finance

Notes:

¹ Calculation based on assessed valuations reported for the District only.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

² Amounts expressed in thousands, except Per Capita amount.

Riverside County Flood Control and Water Conservation District
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

(Amounts Expressed in Thousands)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt	\$ -	0%	\$ -
Flood Control direct debt			-
Total direct and overlapping debt			\$ -

Source: CAFR - Notes to Basic Financial Statements, Note 8 Long-term Obligations

Riverside County Flood Control and Water Conservation District
Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	<u>Fiscal Year</u> <u>2005</u>	<u>Fiscal Year</u> <u>2006</u>	<u>Fiscal Year</u> <u>2007</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Fiscal Year</u> <u>2010</u>
Debt Limit	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
Total net debt applicable to limit	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 20,675</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>
Total net debt applicable to the limit as a percentage of debt limit	1.55%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	\$ 156,740,433
Add back: exempt real property	<u>\$ -</u>
Total assessed value	\$ 156,740,433
	21,000
Debt limit (lesser of 2% of assessed valuation or \$21,000)	
Debt applicable to limit:	-
General obligation debt	<u>-</u>
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>\$ 21,000</u>
Legal debt margin	

Source: Assessor, County of Riverside - District only assesses valuation note.

Notes: Excludes voter approved, land based and special assessments debt and up to \$475 debt for administrative facilities.

Debt limit (lesser of 2% of assessed valuation or \$21,000).

Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

Riverside County Flood Control and Water Conservation District
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Special Assessment Bonds					
Fiscal Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest		
2005	\$ 1,192	\$ 605	\$ 302	1.31	
2006	1,046	663	479	0.92	
2007	892	840	453	0.69	
2008	744	435	345	0.95	
2009	906	460	330	1.15	
2010	353	260	244	0.70	

Source: U.S. Bank Statements & Debt Service Schedule for 4-3.

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

Riverside County Flood Control and Water Conservation District
Demographic and Economics Statistics
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Page 1

Fiscal Year	Population¹	Personal Income²	Per Capita Personal Income²	Median Age³	Education Level in Years of Formal Schooling⁴
2000-01	1,609,356	\$ -	\$ 24,957		
2001-02	1,644,341	-	25,099		
2002-03	1,705,500	-	25,691		
2003-04	1,776,700	-	24,814		
2004-05	1,871,950	44,627,329	25,032	32	16.6
2005-06	1,911,281	49,443,185	23,478	32	16.6
2006-07	2,031,625	52,850,398	22,737	32	16.6
2007-08	2,073,571	57,666,983	24,885	31	20.1
2008-09	2,100,516	61,023,518	24,301	32	20.1
2009-10	2,125,440	64,503,728	22,657	33	19.7

Sources:

- ¹ U.S. Census Bureau
- ² U.S. Department of Commerce - Bureau of Economic Analysis
- ³ State of California, Employment Development Department
- ⁴ California Department of Education
- ⁵ State of California, Labor Market Information

Notes: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005. Personal Income, Median Age, Education Level in Years of Formal Schooling categories added in fiscal year 2004-2005.

Riverside County Flood Control and Water Conservation District
Demographic and Economics Statistics
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

Page 2

<u>School Enrollment⁴</u>	<u>Unemployment Rate Percent⁵</u>
319,910	5.0%
333,330	5.8%
349,607	6.2%
364,857	5.8%
380,964	5.4%
395,183	4.9%
413,059	5.1%
596,645	9.5%
593,029	14.0%
622,914	15.3%

**Riverside County Flood Control and Water Conservation District
Principal Employers
Current Year**

Employer	2010			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
County of Riverside	18,456	1	2.39%	15,740	1	1.95%
March Air Reserve Base	8,600	2	1.11%	6,800	2	0.84%
University of California, Riverside	7,321	3	0.95%	5,336	3	0.66%
Stater Bros Markets	6,900	4	0.89%			0.00%
Wal-Mart	6,550	5	0.85%	2,650	6	0.33%
Riverside Unified School District	5,099	6	0.66%	3,553	4	0.44%
Abbott Vascular	4,500	7	0.58%			0.00%
Pechanga Resort & Casino	4,000	8	0.52%			0.00%
Kaiser Permanente Medical Care	3,600	9	0.47%	1,700	10	0.21%
Temecula Valley Unified School District	2,752	10	0.36%			0.00%
City of Riverside	2,700	11	0.35%	2,642	7	0.33%
Hemet Unified School District	2,590	12	0.34%			0.00%
Riverside County Regional Medical Center	2,400	13	0.31%	2,400	8	0.30%
Eisenhower Medical Center	2,223	14	0.29%			0.00%
Morongo Casino, Resort & Spa	2,148	15	0.28%			0.00%
Countywide Ralphs Grocery Company				2,720	5	0.34%
Alvord Unified School District				1,200	14	0.15%
Riverside County Office of Education				1,521	11	0.19%
Riverside Community College				1,477	12	0.18%
Riverside Community Hospital				1,053	15	0.13%
The Press Enterprise Co.				1,300	13	0.16%
SBC/ Pacific Bell				1,800	9	0.22%
Total	79,839		10.35%	51,892		6.43%

Source: Riverside County Economic Development Agency

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

Riverside County Flood Control and Water Conservation District
Full-Time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30					
	2005	2006	2007	2008	2009	2010
General government						
Inspection	8	9	9	11	9	16
Administration	44	34	35	43	41	49
Public ways & facilities						
Engineering	65	70	68	70	73	111
Maintenance	50	56	55	58	59	74
NPDES	11	12	11	9	11	16
Photogrammetry operations	1	2	1	1	1	-
Subdivision operations	21	23	23	18	10	8
Encroachment permits	3	2	2	2	2	1
Hydrology services	3	4	4	4	3	5
Garage-Fleet operations	5	6	8	8	7	10
Mapping services	2	2	2	2	3	5
Data processing	10	10	9	9	11	16
Photography	1	1	1	1	-	-
Total	224	231	228	236	230	311

Source: The District

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

**Riverside County Flood Control and Water Conservation District
Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Function						
General government						
Inspection services	200	256	249	218	135	105
Public ways and facilities						
Maintenance projects	1,032	969	1,081	1,095	1,121	1,172
Construction projects	293	152	244	235	230	272
NPDES - Santa Ana						
Public Education Outreach events	30	34	39	45	75	72
NPDES - Santa Margarita						
Public Education Outreach events	6	4	4	8	28	5
NPDES - Whitewater						
Public Education Outreach events	4	8	11	15	15	18
Photogrammetry operations	16	36	18	14	18	7
Subdivision operations						
Plan check cases processed	549	590	628	787	429	271
Flood plain cases processed	562	470	212	105	85	73
Enroachment permits						
Permits - Issuance and Inspection	49	161	154	146	214	93

Source: The District

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

**Riverside County Flood Control and Water Conservation District
Capital Asset Statistics by Function
Last Ten Fiscal Years**

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Function						
General Government						
Buildings and improvements	1	2	-	-	-	-
Equipment	39	28	10	12	30	10
Public ways and facilities						
Infrastructure						
Basins	6	-	-	-	1	2
Channels	14	15	5	3	1	9
Levees	2	1	1	-	-	-
Storm Drains	34	87	52	28	58	21

Source: The District

Note: Last ten years data not available. The District implemented GASB 44 in fiscal year 2004-2005.

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

Board of Supervisors
Riverside County Flood Control and
Water Conservation District
Riverside, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit documents of the Riverside County Flood Control and Water Conservation District, for the year ended June 30, 2010. These procedures, which were agreed to by the Riverside County Flood Control and Water Conservation District and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed documents required by the Article XIII B Appropriations Limitation Uniform Guidelines, and determined that the limit and annual adjustment factors were adopted by resolution of the Board of Supervisors. We also determined that the population and inflation options were selected by a recorded vote of the Board of Supervisors.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the Board of Supervisors during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the Riverside County Flood Control and Water Conservation District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Seaman Ramirez & Smith, Inc.

December 22, 2010

**RIVERSIDE COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
APPROPRIATIONS LIMIT COMPUTATION
2009-2010**

	<u>2009-2010</u>
Per Capita Personal Income Change	0.62%
Population Change County Population Growth	1.44%
CPI Change Converted to a Ratio	1.0062
Population Change Converted to a Ratio	1.0144
Calculation of Growth Factor	1.02069
2008-2009 Appropriations Limit	<u>\$ 189,565,375</u>
2009-2010 Appropriations Limit (189,565,375 X 1.02069)	<u>\$ 193,487,346</u>

**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 Supervisors
Riverside County Flood Control and
Water Conservation District
Riverside, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 22, 2010.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

December 22, 2010

December 22, 2010

Board of Supervisors
Riverside County Flood Control and
Water Conservation District
Riverside, CA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District (the "District") for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 11, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2010. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of accumulated depreciation in Note 6 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

Other information included in documents containing audited financial statements such as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we expressed no opinion on it.

This information is intended solely for the use of the Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Teaman Ramirez & Smith, Inc.