



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013*



*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, 2013



Submitted by:

*Warren D. Williams
General Manager-Chief Engineer*

*Jeanine J. Rey
Finance Director*

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

Riverside County Flood Control and Water Conservation District
Comprehensive Annual Financial Report
Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - iv
District Officials	v
Organizational Chart	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18 - 20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22 - 24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Assets and Liabilities - Agency Funds	29
Notes to Financial Statements	30 - 54
Required Supplementary Information:	
Schedule of Funding Progress for PERS	55
Notes to Required Supplementary Information	56
General Fund	57
Budgetary Comparison Schedules:	
General Fund	58
Special Revenue Funds	59
Zone 1 Special Revenue Fund	60
Zone 2 Special Revenue Fund	61
Zone 3 Special Revenue Fund	62
Zone 4 Special Revenue Fund	63
Zone 5 Special Revenue Fund	64
Zone 6 Special Revenue Fund	65
Zone 7 Special Revenue Fund	66
NPDES Whitewater Special Revenue Fund	67
NPDES Santa Ana Special Revenue Fund	68
NPDES Santa Margarita Special Revenue Fund	69

Riverside County Flood Control and Water Conservation District
Comprehensive Annual Financial Report
Year Ended June 30, 2013

TABLE OF CONTENTS - Continued

	<u>PAGE</u>
Supplementary Information:	
Capital Project Fund	70
Budgetary Comparison Schedule - Flood Control Capital Project Fund	71
Non-Major Enterprise Funds	72
Combining Statement of Net Position	73
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	74
Combining Statement of Cash Flows	75
Internal Service Funds:	76
Combining Statement of Net Position	77 - 78
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	79 - 80
Combining Statement of Cash Flows	81 - 82
Agency Funds	83
Combining Statement of Changes in Assets and Liabilities	84 - 85
 STATISTICAL SECTION	
Net Position by Component	86 - 87
Changes in Net Position	88 - 89
Governmental Activities Tax Revenues by Source	90
Fund Balances of Governmental Funds	91 - 92
Changes in Fund Balances of Governmental Funds	93 - 94
General Governmental Tax Revenues by Source	95
Assessed Value and Estimated Actual Value of Taxable Property	96 - 97
Property Tax Rates Direct and Overlapping Governments	98
Principal Property Taxpayers	99
Property Tax Levies and Collections	100
Ratios of Outstanding Debt by Type	101
Ratios of General Bonded Debt Outstanding	102
Direct and Overlapping Governmental Activities Debt	103
Legal Debt Margin Information	104
Pledged-Revenue Coverage	105
Demographic and Economic Statistics	106 - 107
Principal Employers	108
Full-Time Equivalent Government Employees by Function	109
Operating Indicators by Function	110
Capital Asset Statistics by Function	111

INTRODUCTORY SECTION



CONTENTS

- ◆ *Letter of Transmittal*
- ◆ *GFOA Certificate of Achievement for Excellence in Financial Reporting for 2012*
- ◆ *List of Elected and Appointed Officials*
- ◆ *Organizational Chart*



RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

December 30, 2013

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 (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, 2013.

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, 2013. 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 Riverside County, which is the eighth county in the country with the largest numeric increase in population.¹ The District currently occupies 2,677 square miles and serves a population of approximately 1.84 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.

¹ Source: U.S. Census Bureau, Population Division, March 2013

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; watershed protection 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 Riverside County; the operation 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 2nd of each year pursuant to Sections 29080 through 29092 of the Government Code. The Board of Supervisors adopted the District's 2013 fiscal year budget on September 11, 2012. 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 Riverside County which includes twenty-two cities and unincorporated county communities west of the San Jacinto and Santa Rosa Mountains. Riverside County is California's fourth largest populated county according to the State Department of Finance. It represents 5.9% of California's total population.² Riverside County 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 Riverside County include government, retail trade, educational and health services, leisure and hospitality, and construction.

From June 2012 to June 2013, the Inland Empire added just 7,300 jobs or 0.6%. This was the weakest gain since December 2011. That said, for the first six months of 2013, the private sector has gained 20,000 jobs while the governmental sector has lost 1,667. The June 2013 unemployment rate of 10.3% was down from 12.7% in June 2012. The rate fell with 13,800 fewer people trying to find work while 32,300 residents found jobs.³

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 66.2% and a ten-year increase of 1.2%, respectively). This increase in construction and maintenance costs as a percentage of total expenses is consistent with the increase of total expenses by 62.9% over a ten-year period. Maintenance costs for the current fiscal year ended have decreased by 5.4% when compared to the prior year.

² Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percentage Change – January 1, 2012 and 2013. Sacramento, CA, May 2013

³ Source: Inland Empire Quarterly Economic Report, July 2013

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 increased in amount and as a percentage of total revenues (currently 8.4%, reflecting a ten-year increase of 1.4%). The reason for this increase is the relative increase in expenses related to development and construction that are not supported by payments from developers and 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.

Major Initiatives

Although, the District completed construction of the Low Impact Development (LID) retrofit project that converted the District's Market Street campus into a regional example of green development concepts in Fiscal 2011/2012, the project garnered a number of awards this year. We are proud to have our innovative work recognized and look forward to presenting real-world data as we gather it over rainy seasons to come.

Award Name	Date	Awarding Entity
Civil Engineering Project Improvement Award	June 2012	American Society of Civil Engineers (ASCE) San Bernardino/Riverside Counties Branch
2012 Excellence in Communication Award - Special Recognition	August 2012	National Association of Floodplain and Stormwater Management Agencies (NAFSMA)
CSAC Challenge Award (Population 700,000+)	September 2012	California State Association of Counties (CSAC)
Outstanding Sustainability Project - Honorable Mention	October 2012	American Society of Civil Engineers (ASCE) Los Angeles Section
2012 Project of the Year - Stormwater Quality	November 2012	American Public Works Association (APWA) Southern California Chapter
Outstanding Stormwater Management Project	January 2013	American Society of Civil Engineers (ASCE) Region 9
27th Annual Beautification Award - Exterior Reconstruction with Landscaping	January 2013	Keep Riverside Clean and Beautiful (KRCB)
Clair A. Hill Water Agency Award for Excellence - Finalist	May 2013	Association of California Water Agencies (ACWA)

Further, the following District-administered flood control project contracts were completed during, or were under construction at the end of fiscal year 2012/2013:

<u>Facilities</u>	<u>Construction Cost</u>
Calimesa Avenue L Storm Drain, Stage 2	\$3.1 Million
Day Creek Channel Stage 6, Phase 2	\$5.1 Million
Lakeland Village – Orange Avenue Storm Drain	\$188,000
San Jacinto North Levee Repair	\$61,000
Montecito Ranch – Jameson Rd. Storm Drain Repair	\$47,000
Cabazon & Montgomery Channel Repairs	\$122,000
Day Creek Line J, Stage 2	\$1,691,000
Mira Loma – Beach Street Storm Drain Stage 1	\$3,447,000
Eagle Canyon Dam	\$9.8 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, 2012. This was the twenty-second 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 Regina Neal, Assistant Finance Director, Darrylenn Prudholme-Brockington, Supervising Accountant, Kathryn Gairson, Accountant I, and Mireya Castro, Secretary I, 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



JEANINE J. REY
Finance Director

**RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**
List of Principal Officials

TITLE	NAME
Board of Supervisors	Kevin Jeffries, 1 st District
Board of Supervisors	John F. Tavaglione, 2 nd District
Board of Supervisors	Jeff Stone, 3 rd District
Board of Supervisors	John J. 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	Robert J. Cullen
Chief of Operations & Maintenance	Zully Smith
Chief of Planning	Mark Wills
Chief of Regulatory	Stuart E. McKibbin
Chief of Surveying & Mapping	Bill Hofferber
Chief of Watershed Protection	Jason Uhley
Finance Director	Jeanine J. Rey
Information Technology Officer	Leticia G. Villela

RIVERSIDE COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT





Government Finance Officers Association

**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, 2012

Executive Director/CEO

-This page intentionally left blank-

FINANCIAL SECTION



- ◆ *Independent Auditor's Report*
- ◆ *Management's Discussion and Analysis*
- ◆ *Basic Financial Statements*



- ◆ *Required Supplementary Information*
- ◆ *Supplementary Information*



INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Riverside, California

Report on Financial Statements

We have audited the accompanying 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"), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to 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, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1.0 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-14 and 55-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Riverside, California
December 30, 2013

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, 2013. 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 - iv 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 \$1,093,267 (*net position*). Of this amount, \$13,135 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- ◆ The District's total net position increased by \$22,441. Approximately 45 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 \$255,077, a decrease of \$1,225 in comparison with the prior year. Approximately 1% of this amount (\$2,708) is *available for spending* at the District's discretion (*unassigned fund balance*).
- ◆ At the end of the fiscal year, unassigned fund balance for the general fund was \$2,708, 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 position* presents information on all of the District's assets, liabilities and deferred inflows/outflows, with the difference reported as *net position*. 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 position changed during the most recent fiscal year. All changes in net position 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 15-17 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 12 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 18-25 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 non-major 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 26-28 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 29 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 30-54 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 and other post-employment benefits to its employees. Required supplementary information can be found on pages 55-69 of this report.

The combining statements referred to earlier in connection with non-major 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 70-82 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,093,267 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (76 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 Position

	Governmental Activities			Business-type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Current and Other Assets	\$ 273,911	\$ 277,032	\$ 273,643	\$ 5,709	\$ 5,742	\$ 5,610	\$ 279,620	\$ 282,774	\$ 279,253
Capital Assets, Net	827,905	804,107	756,970	7	16	23	827,912	804,123	756,993
Total Assets	1,101,816	1,081,139	1,030,613	5,716	5,758	5,633	1,107,532	1,086,897	1,036,246
Long-term Liabilities Outstanding	3,842	3,856	3,932	84	92	96	3,926	3,948	4,028
Other Liabilities	7,315	9,086	8,426	3,024	3,037	3,251	10,339	12,123	11,677
Total Liabilities	11,157	12,942	12,358	3,108	3,129	3,347	14,265	16,071	15,705
Net Position:									
Net Investment in Capital Assets	827,905	804,107	756,970	7	16	23	827,912	804,123	756,993
Restricted	252,220	256,317	251,826	-	-	-	252,220	256,317	251,826
Unrestricted	10,534	7,773	9,459	2,601	2,613	2,263	13,135	10,386	11,722
	\$1,090,65	\$1,068,19	\$1,018,25			\$	\$1,093,26	\$1,070,82	\$1,020,54
Total Net Position	9	7	5	\$ 2,608	\$ 2,629	2,286	7	6	1

An additional portion of the District's net position (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$13,135) 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 positions, 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 a decrease of \$4,097 in restricted net position reported in connection with the District's governmental activities. Property tax revenues account for approximately 65 percent of total revenues which contribute to the majority of growth in restricted net position. In comparison to the prior year, restricted net position reduced by approximately 191 percent (\$8,588) due primarily to the increased construction of flood control facilities in Zones 1, 4 and 5 (\$12,287). Signs that the economy is gradually improving within the County of Riverside are reflected in the increase of overall revenues (\$5,010) including increases in property tax revenue (\$499), redevelopment revenues (\$1,926), special assessment revenues (\$26), area drainage fees (\$109) and charges for services revenue (\$3,870). These increases in revenue were offset by decreases in other revenue sources, specifically investment income (\$1,359) and the revenue from sale or lease of land (\$53). Overall expenditures increased (\$11,170) due to increases in construction costs of flood control facilities in Zones 1, 4, and 5 (\$12,287). This increase in cost was offset by an overall decrease in capital outlay for land purchases primarily in Zone 6 (\$943).

The District's net position increased \$22,441 during the current fiscal year. Approximately 82 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 investment in capital assets, specifically, donations of capital assets (infrastructure and land).

Governmental activities. Governmental activities increased the District’s net position by \$22,462, 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 Position

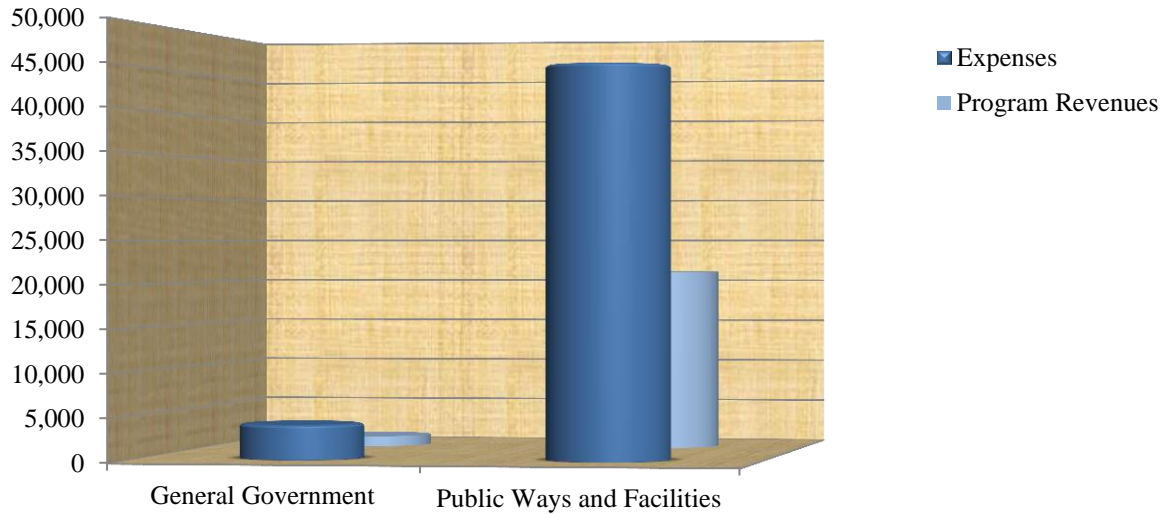
	Governmental Activities			Business-type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenues:									
Program Revenues:									
Charges for Services	\$ 8,728	\$ 5,017	\$ 5,423	\$ 1,736	\$ 1,905	\$ 1,515	\$ 10,464	\$ 6,922	\$ 6,938
Capital Grants and Contributions	13,057	44,895	35,479	-	-	-	13,057	44,895	35,479
General Revenues:									
Property Taxes	40,042	39,258	39,836	-	-	-	40,042	39,258	39,836
Redevelopment Pass-thru	9,811	6,040	5,136	-	-	-	9,811	6,040	5,136
Unrestricted Interest and Investment Earnings (Loss)	(224)	1,173	1,425	5	33	46	(219)	1,206	1,471
Gain on Sale of Capital Assets	111	22	123	-	-	-	111	22	123
Total Revenues	71,525	96,405	87,422	1,741	1,938	1,561	73,266	98,343	88,983
Expenses:									
General Government	4,017	4,244	5,572	-	-	-	4,017	4,244	5,572
Public Ways and Facilities	45,046	42,219	39,192	-	-	-	45,046	42,219	39,192
Subdivision Operations	-	-	-	1,428	1,329	2,298	1,428	1,329	2,298
Photogrammetry Operations	-	-	-	234	112	285	234	112	285
Encroachment Permits	-	-	-	100	154	157	100	154	157
Total Expenses	49,063	46,463	44,764	1,762	1,595	2,740	50,825	48,058	49,477
Increase (Decrease) in Net Position before Transfers	22,462	49,942	42,658	(21)	343	(1,179)	22,441	50,285	41,479
Transfers	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	22,462	49,942	42,658	(21)	343	(1,179)	22,441	50,285	41,479
Net Position - 7/01/12	1,068,197	1,018,255	975,597	2,629	2,286	3,465	1,070,826	1,020,541	979,062
Net Position - 6/30/13	\$1,090,659	\$1,068,197	\$1,018,255	\$ 2,608	\$ 2,629	\$ 2,286	\$1,093,267	\$1,070,826	\$1,020,541

- ◆ Historically, ongoing revenues have exceeded expenses as a percentage of net position by approximately less than 1.0 to 4.0 percent in a given fiscal year. During the year, overall revenues decreased by \$24,880 (25.8 percent) due to a decrease of donated capital assets while ongoing revenues increased by \$6,958 (13.5 percent) due to a slowly recovering economy. Ongoing revenues continued to exceed expenses by \$9,405 (less than 1 percent).

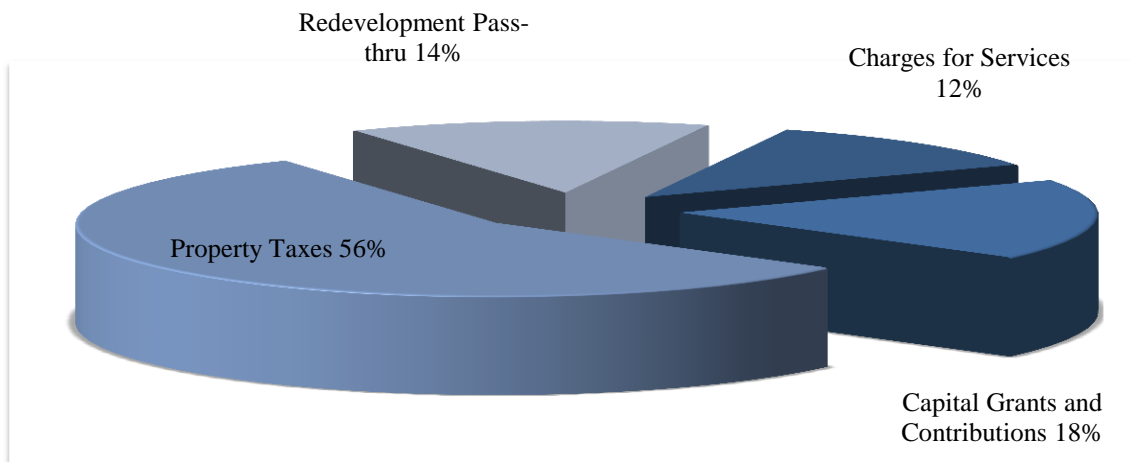
For the most part, increases and decreases in expenses paralleled inflation and growth in the demand for services. Noteworthy exceptions include the following:

- ◆ A decrease in Capital Grants and Contributions revenue of \$31,838 (70.9 percent) associated with the donation of capital assets - infrastructure and land in various zones.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

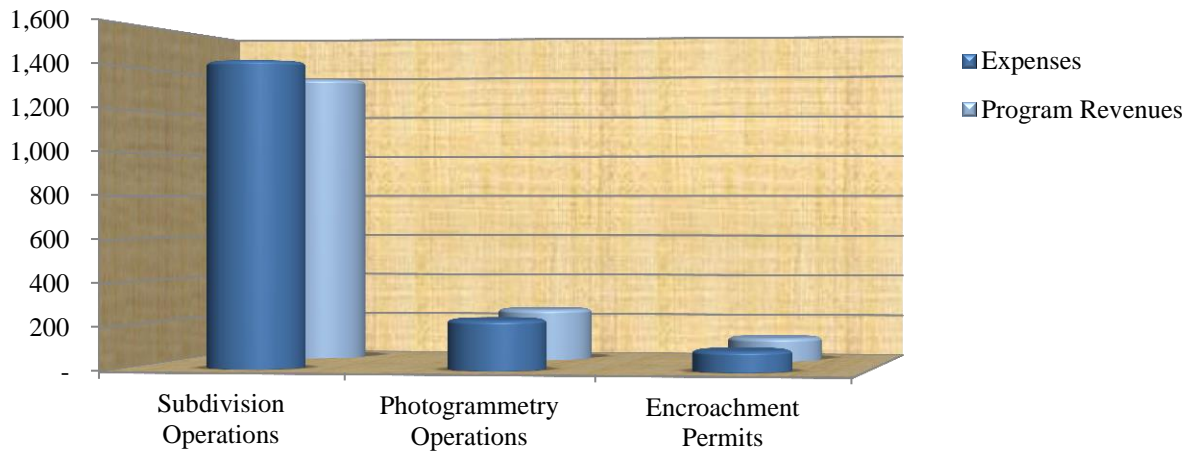


Business-type activities. Business-type activities decreased the District’s net position by \$21, accounting for less than a 1.0 percent increase in the total government’s net position. Key elements of the decrease are as follows.

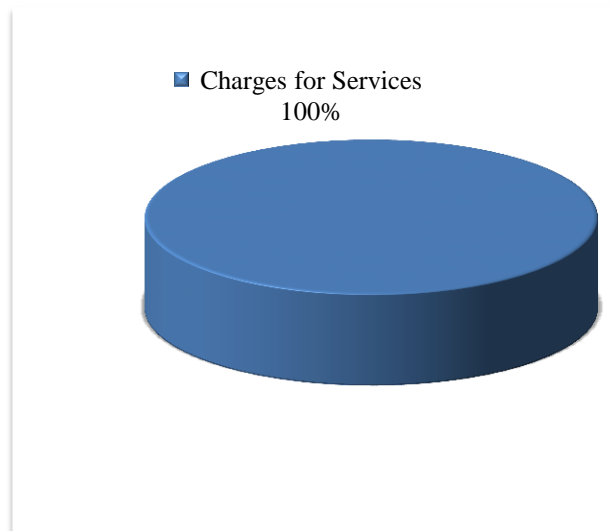
Overall charges for services and expenses for business-type activities decreased by 8.9 percent and increased by 10.5 percent respectively. The Subdivision and Photogrammetry operations account for a significant portion of this decrease and increase. Historically, increases and decreases in charges for services and expenses are development related and will

vary based on development activity within the County of Riverside. This year is consistent with that pattern though program expenses exceeded program revenues by \$21. The decrease in program revenues during the year is a result of the District establishing an allowance for uncollectible customer accounts in a prior fiscal year. Normal operating expenses closely paralleled inflation and the overall increase 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, *restricted, assigned and unassigned* fund balances 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 \$255,077 a decrease of \$1,225 in comparison with the prior year. The majority of this total amount (\$249,101) constitutes *restricted fund balances*, which reflect resources that are subject to externally enforceable legal restrictions that arise when the authorization to raise revenues is conditioned upon the revenue being used for a particular purpose, e.g., maintenance and construction of flood control facilities within designated zone boundaries. *Unassigned fund balance* (\$2,708) reflects surplus resources in the District's general fund that are available for spending at the District's discretion. The remainder of fund balance is *assigned fund balance* (\$1,807) and reflects resources that the District intends to use to fund accrued compensated absence liabilities as required and *nonspendable fund balance* (\$1,461) for imprest cash and prepaids.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,708, while total fund balance reached \$4,516. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75.5 percent of total general fund expenditures, while total fund balance represents 1.26 percent of that same amount.

During the current fiscal year, the fund balance in the District's general fund increased by \$386. Key factors in this increase are as follows:

- ◆ Redevelopment Pass-thru revenues increased by \$327 (101 percent) as a result of the dissolution of Redevelopment Agencies by the State of California.
- ◆ Salary expenditures decreased due to the completion of the District's Low Impact Development project and parking lot redesign in fiscal year 2012. As a result overall expenditures decreased by \$201 (5.3 percent).

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 \$242,360 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year was \$3,317. Key factors in the aggregate net increase are as follows:

- ◆ *Zone 1* reported a fund balance of \$19,615 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$3,984. Property tax and redevelopment revenues account for approximately 97 percent of total revenues in this fund and can fluctuate from year to year based on property values and foreclosures within the zone boundary as well as 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 782 percent (\$4,568). Overall revenues decreased (\$236) due primarily to decreases in redevelopment revenue (\$81), charges for services revenue as a result of decreased contributions from other agencies (\$181) and investment income (\$125). These decreases offset the increases in property taxes revenue (\$119) and use of assets from the sale or lease of land (\$32). Additionally, expenditures increased (\$4,726) due largely in part to increases in construction costs of the flood control facility, Day Creek Channel, Stage 6, Phase 2 (\$5,170).

- ◆ *Zone 2* reported a fund balance of \$66,271 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$2,727. 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 property values and foreclosures within the zone boundary as well as 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 881 percent (\$3,076). Overall revenues increased (\$1,224) due primarily to increases in property tax and redevelopment revenue (\$497), charges for services revenue as a result of increased contributions from other agencies (\$1,057) and area drainage fees (\$4). These increases offset the decreases in investment income revenue (\$333) and intergovernmental revenue (\$1). Additionally, expenditures decreased (\$1,757) due largely in part to decreases in construction costs of the flood control facilities.

- ◆ *Zone 3* reported a fund balance of \$14,408 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$1,154. Property tax and redevelopment revenues account for approximately 63 percent of total revenues in this fund and can fluctuate from year to year based on property values and foreclosures within the zone boundary as well as 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 208 percent (\$779). Overall revenues increased (\$1,074) due primarily to increases in property tax and redevelopment revenue (\$128) and charges for services revenue as a result of increased contributions from other agencies (\$1,018). These increases offset the decreases in investment income revenue (\$71) and intergovernmental revenue (\$1). Additionally, expenditures increased (\$347) due largely in part to increases in construction costs of the flood control facility, Lakeland Village-Orange Street Storm Drain Lateral, Stage 1 (\$319).

- ◆ *Zone 4* reported a fund balance of \$71,027 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$680. Property tax and redevelopment revenues account for approximately 90 percent of total revenues in this fund and can fluctuate from year to year based on property values and foreclosures within the zone boundary as well as 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 117 percent (\$4,704). Overall revenues increased (\$1,417) due primarily to increases in property tax and redevelopment pass-thru revenue (\$960) and charges for services revenue as a result of increased reimbursements from developers (\$1,007). These increases were offset by decreases in area drainage fees (\$132), investment income (\$372), use of assets from the sale or lease of property (\$42), and intergovernmental revenue (\$4). Additionally, expenditures increased (\$6,420) due largely in part to increases in construction costs of the flood control facilities, Moreno MDP Line I, J and J9 Stage 2 (\$565) and Moreno MDP Line F Stage 2 (\$3,602) as well as capital outlay for land acquisition (\$1,401) and contributions to other governmental agencies (\$1,335).

- ◆ *Zone 5* reported a fund balance of \$12,140 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$2,269. Property tax and redevelopment revenues account for approximately 99 percent of total revenues in this fund and can fluctuate from year to year based on property values and foreclosures within the zone boundary as well as 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 254 percent (\$3,744). Overall revenues increased (\$29) due primarily to increases in property tax revenue (\$58). This increase was offset by decreases in redevelopment revenue (\$7), charges for services (\$7) and investment income (\$73). Additionally, expenditures increased (\$3,785) due largely in part to increases in construction costs of the flood control facility Calimesa-Avenue L Storm Drain Stage 2 (\$3,502).

- ◆ *Zone 6* reported a fund balance of \$22,982 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$74. Property tax and redevelopment revenues account for approximately 81 percent of total revenues in this fund and can fluctuate from year to year based on property values and foreclosures within the zone boundary as well as 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 103 percent (\$2,950). Overall revenues increased (\$960) due primarily to increases in property tax and redevelopment revenue (\$249) and charges for services revenue as a result of increased contributions from other agencies (\$876). These increases offset the decreases in investment income revenue (\$120), intergovernmental revenue (\$1) and use of assets from the sale or lease of land (\$44). Additionally, expenditures decreased (\$1,889) due largely in part to decreases in capital outlay for land acquisitions (\$2,139).

- ◆ *Zone 7* reported a fund balance of \$35,917 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$339. 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 property values and foreclosures within the zone boundary as well as 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 127 percent (\$1,610). Overall revenues increased (\$201) due primarily to increases in property tax and redevelopment revenue (\$141), charges for services revenue (\$19) and area drainage fees (\$237). This increase was offset by decreases in investment income (\$195) and intergovernmental revenue (\$1). Additionally, expenditures increased (\$1,909) due largely in part to increases in contract costs related to the construction of flood control facilities (\$2,230).

The NPDES funds had an aggregate fund balance of \$8,050 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year was \$1,599. Key factors in the net increase are as follows:

- ◆ *NPDES Whitewater* reported a fund balance of \$1,101 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$301. Special assessment revenues account for approximately 34 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 1,333 percent (\$280). Overall revenues increased (\$305) due primarily to increases in special assessments (\$15) and charges for services revenue received from cost sharing permittees (\$295). This increase was offset by a decrease in investment income (\$5). Additionally, expenditures increased (\$25) due largely in part to increases in professional services costs (\$3) and salary and benefits (\$22) paid to staff members to meet reporting requirements for federally mandated regulatory compliance programs.

- ◆ *NPDES Santa Ana* reported a fund balance of \$5,621 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$497. Special assessment revenues account for approximately 84 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 2,061 percent (\$474). Overall revenues decreased (\$150) due primarily to decreases in charges for services revenue received from cost sharing permittees (\$124) and investment income revenue (\$26). Additionally, expenditures decreased (\$624) due largely in part to decreases in professional services costs to meet reporting requirements for federally mandated regulatory compliance programs (\$130), and in NPDES contributions to other conservation organizations for storm water/clean water educational programs (\$491).

- ◆ *NPDES Santa Margarita* reported a fund balance of \$1,688 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$801. Special assessment revenues account for approximately 22 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 150 percent (\$481). Overall revenues increased (\$497) due primarily to increases in special assessment revenues (\$11) and charges for services revenue received from cost sharing permittees (\$493). These increases were offset by the decrease in investment income revenue (\$7). Additionally, expenditures increased (\$16) due largely in part to increased professional services costs incurred for services related to new federally mandated compliance programs.

The capital project fund had a total fund balance of \$151 at the end of the current fiscal year. The net increase in fund balance during the current year in the capital project fund was \$107. Capital outlay decreased by \$1,587 due to the completion of 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 the remaining portion of the total cost of the LID project (\$1,303) were transferred into the Capital Project Fund.

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 position at the end of the year for 1) Subdivision operations amounted to \$1,428, 2) Photogrammetry operations amounted to \$693, and 3) Encroachment permit operations amounted to \$349. The total decrease in net position for Subdivision operations was \$40. The total growth for Photogrammetry operations and Encroachment permit operations was \$13 and \$13, 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 no adjustments made between the original and final amended budget increasing general fund appropriations.

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 \$1,256. The \$1,256 variance was due to that work wasn't started on such projects as the HVAC system, solar conversion, soil lab refurbish and the boardroom upgrade at the District's headquarters. Budgeted expenditures decreased by 23 percent from the prior year as the District's projects such as the conversion of the District's yard at Market Street into a Low Impact Development (LID) and the parking lot redesign were 90% completed in fiscal year 2012. There was only a 5 percent decrease in actual expenditures from the prior year.
- ◆ Total actual revenues were less than budgetary estimates by \$176. The \$176 variance was due to District's inspection projects still progressing very slowly due to the economic uncertainty. Budgeted charges for services revenues decreased by 1 percent from the prior year.

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, 2013, amounts to \$827,912 (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 56 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 \$10,025.
- ◆ 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 \$20,637.

District's Capital Assets
(net of depreciation)

	Governmental activities			Business-type activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Infrastructure	\$559,672	\$549,172	\$519,672	\$ -	\$ -	\$ -	\$559,672	\$549,172	\$519,672
Land and easements	235,518	231,116	217,573	-	-	-	235,518	231,116	217,573
Buildings and improvements	9,388	9,561	8,132	-	-	-	9,388	9,561	8,132
Improvements other than buildings	87	88	89	-	-	-	87	88	89
Equipment	2,603	2,520	2,427	7	16	23	2,610	2,536	2,450
Construction in progress	20,637	11,650	9,077	-	-	-	20,637	11,650	9,077
Total	\$827,905	\$804,107	\$756,970	\$ 7	\$ 16	\$ 23	\$827,912	\$804,123	\$756,993

Additional information on the District's capital assets can be found in note 6 on pages 45-46 of this report.

Long-term debt. The District Act limits the amount of general obligation debt the District may issue to the lesser of 3.75 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

- ◆ Four years have passed since the end of the recession and the economy is still presenting good news and bad news. Job gains over the past year have been solid. On average 200,000 jobs per month are being added and more than 6.5 million jobs have been regained since the downturn. The unemployment rate was 7.4 percent in July, down from a peak of 10 percent. The Federal Reserve has been working hard to support the economic rebound. Steps previously taken by the Federal Reserve to improve the economic conditions by purchasing more mortgage-backed securities and extending its commitment to keep its benchmark interest rate exceptionally low through mid-2015 have given a shot in the arm to the economy by significantly reducing longer-term interest rates. Short- and long-term interest rates are down to record low levels which have sparked an increase in automobile and housing sectors. In housing, the result has been dramatic. Consumer spending has recovered since the fiscal cliff's \$200 billion personal tax increase at the start of the year—with auto sales coming close to their long-term normal 16 million-unit annual sales in the third quarter of 2013. Across the country, home construction and sales have risen over the past year and home prices are up more than 10 percent.
- ◆ California's economy continues to improve, though the pace of growth was slowed by Federal policy changes during the first half of 2013. California continues to deal with its own budgetary crisis. Unfunded liabilities for multiple state pension systems and nagging federal financial instability are two of its biggest concerns. With a slow growth in the annual contributions the state's share of unfunded liability will continue to grow each year. The impact of the federal Affordable Care Act, continued state reliance on volatile income tax revenue and outstanding state debts are top issues facing the state. The residential real estate market has come roaring back in California. The median price of a home sold in California started off 2013 posting over 20% growth on a year-over-year basis. Since June, the pace of those price gains has accelerated to nearly 30%. Through August 2013, the state had recovered just shy of 830,000 of the nearly 1.37 million jobs lost during the recession. At the time of this writing, California was only 541,700 jobs (3.6%) short of the pre-recession peak in employment set back in July of 2007. The state has made significant progress over the past three years in repairing the damage done by the Great Recession.
- ◆ The key to the Inland Empire's recovery will be the continued expansion of its 'traditional economic base'. The sectors that need to grow include logistics, health care and construction. Logistics has been the region's fastest growing sector, but local regulatory agencies and activists want to stop that growth. The Inland Empire's health care industry continued to grow throughout the recession. The population of the Inland area is continuing to expand however, more slowly than it has in the recent years. Riverside County continues to trail the state in education, employment, and the number of uninsured people. Experts agree that proper execution of preventative programs will be crucial to the county's health care progress. Since August 2012, the region has added back 6,900 nonfarm payroll jobs on a seasonally adjusted basis, a 0.6% year-over-year increase. This is a lower rate of growth than in the state overall (1.5%), but the Inland Empire was one of the hardest hit regions in California after the housing bubble burst.

All of these factors were considered in preparing the District's budget for the 2014 fiscal year.

Special fund revenues for fiscal year 2014 are estimated to decrease by \$ 3.3 million due to revenue decrease in other revenue sources, specifically, contributions from other agencies and interest.

The District's Zone funds as a group have appropriations of \$166.5 million for fiscal year 2014, an increase of \$17.5 million from the prior year. The increase is primarily the result of anticipated completion of large construction projects in fiscal year 2014. Appropriations are projected to decrease in the general funds, as a result of a continued decrease in inspection costs for developer constructed infrastructure projects in the Special Accounting fund. The Capital Project fund appropriation is proposed to increase by in the anticipation of the several projects at the District's headquarters: a building roof resurface, HVAC system replacement, installation of storage buildings, fire sprinkler upgrade and solar conversion. Enterprise funds are expected to increase as a result of anticipated increase in development review workload in the Subdivision Operations fund. Appropriations for the Internal Service funds are proposed to increase due to anticipated increase in new and/or replacement fixed asset equipment purchases for the Garage/Fleet operations fund.

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



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 Position

June 30, 2013

(Amounts Expressed in Thousands)

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 264,454	\$ 2,549	\$ 267,003
Restricted Cash	1,806	2,719	4,525
Receivables (net of allowance for uncollectibles)	3,868	322	4,190
Net Pension Asset	1,667	-	1,667
OPEB Asset	539	-	539
Inventories	236	-	236
Prepays	1,460	-	1,460
Internal Balances	(119)	119	-
Capital Assets:			
Nondepreciable	256,155	-	256,155
Depreciable, Net	571,750	7	571,757
	<u> </u>	<u> </u>	<u> </u>
Total Assets	1,101,816	5,716	1,107,532
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	2,577	99	2,676
Salaries and Benefits Payable	1,054	26	1,080
Developer and Other Agency Deposits	1,863	2,899	4,762
Due to Other Governments	1,821	-	1,821
Long-term Liabilities:			
Due Within One Year	706	15	721
Due in More Than One Year	3,136	69	3,205
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	11,157	3,108	14,265
	<u> </u>	<u> </u>	<u> </u>
NET POSITION			
Net Investment in Capital Assets	827,905	7	827,912
Restricted by Enabling Legislation for:			
Capital Projects	151	-	151
Public Ways and Facilities	252,069	-	252,069
Unrestricted	10,534	2,601	13,135
	<u> </u>	<u> </u>	<u> </u>
Total Net Position	\$ 1,090,659	\$ 2,608	\$ 1,093,267
	<u> </u>	<u> </u>	<u> </u>

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, 2013

(Amounts Expressed in Thousands)

	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:			
Governmental Activities			
General Government	\$ 4,017	\$ 600	\$ -
Public Ways and Facilities	45,046	8,128	13,057
Total Governmental Activities	49,063	8,728	13,057
Business-type Activities			
Subdivision Operations	1,428	1,375	-
Photogrammetry Operations	234	247	-
Encroachment Permits	100	114	-
Total Business-type Activities	1,762	1,736	-
Total	\$ 50,825	\$ 10,464	\$ 13,057

General Revenues:

Property Taxes

Redevelopment Pass-thru

Unrestricted Interest and Investment Earnings (Loss)

Gain - Sale of Capital Assets

Total General Revenues

Change in Net Position

Net Position, Beginning of Year

Net Position, 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
\$ (3,417)	\$ -	\$ (3,417)
(23,861)	-	(23,861)
(27,278)	-	(27,278)
-	(53)	(53)
-	13	13
-	14	14
-	(26)	(26)
(27,278)	(26)	(27,304)
40,042	-	40,042
9,811	-	9,811
(224)	5	(219)
111	-	111
49,740	5	49,745
22,462	(21)	22,441
1,068,197	2,629	1,070,826
\$ 1,090,659	\$ 2,608	\$ 1,093,267

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Balance Sheet

Governmental Funds

June 30, 2013

(Amounts Expressed in Thousands)

	General Fund	Zone 1	Zone 2	Zone 3
ASSETS				
Cash and Investments	\$ 5,050	\$ 20,105	\$ 67,500	\$ 14,149
Restricted Cash	1,707	2	50	-
Receivables (net of allowance for uncollectibles)				
Taxes Receivable	86	175	294	39
Accounts Receivable	131	35	3	5
Interest Receivable	3	10	33	7
Due From Other Funds	357	-	-	-
Due From Other Governments	92	67	385	233
Prepays	-	342	340	73
Total Assets	<u>\$ 7,426</u>	<u>\$ 20,736</u>	<u>\$ 68,605</u>	<u>\$ 14,506</u>
LIABILITIES				
Accounts Payable	\$ 86	\$ 856	\$ 105	\$ 36
Salaries and Benefits Payable	978	14	12	3
Due to Other Funds	4	74	56	20
Deferred Revenue				
Developer and Other Agency Deposits	1,764	2	50	-
Due to Other Governments	1	-	1,817	-
Total Liabilities	<u>2,833</u>	<u>946</u>	<u>2,040</u>	<u>59</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	77	175	294	39
Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>77</u>	<u>175</u>	<u>294</u>	<u>39</u>
FUND BALANCES				
Nonspendable:				
Imprest Cash	1	-	-	-
Prepays	-	342	340	73
Restricted for:				
Capital Projects	-	-	-	-
Public Ways and Facilities	-	19,273	65,931	14,335
Assigned to:				
Compensated Absences	1,807	-	-	-
Unassigned	2,708	-	-	-
Total Fund Balances	<u>4,516</u>	<u>19,615</u>	<u>66,271</u>	<u>14,408</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,426</u>	<u>\$ 20,736</u>	<u>\$ 68,605</u>	<u>\$ 14,506</u>

The accompanying notes are an integral part of this statement.

Zone 4	Zone 5	Zone 6	Zone 7	NPDES Whitewater	NPDES Santa Ana
\$ 70,551	\$ 12,063	\$ 22,441	\$ 36,262	\$ 1,147	\$ 5,443
2	6	20	19	-	-
425	61	88	96	17	60
1	2	346	-	-	2
37	6	12	18	-	3
-	-	-	-	-	2
136	7	900	24	-	-
340	73	146	146	-	-
<u>\$ 71,492</u>	<u>\$ 12,218</u>	<u>\$ 23,953</u>	<u>\$ 36,565</u>	<u>\$ 1,164</u>	<u>\$ 5,510</u>
\$ 66	\$ -	\$ 785	\$ 7	\$ 39	\$ 166
15	2	5	3	1	4
91	9	28	24	6	19
2	6	20	19	-	-
3	-	-	-	-	-
<u>177</u>	<u>17</u>	<u>838</u>	<u>53</u>	<u>46</u>	<u>189</u>
288	61	133	595	-	-
-	-	-	-	17	60
<u>288</u>	<u>61</u>	<u>133</u>	<u>595</u>	<u>17</u>	<u>60</u>
-	-	-	-	-	-
340	73	146	146	-	-
-	-	-	-	-	-
70,687	12,067	22,836	35,771	1,101	5,261
-	-	-	-	-	-
-	-	-	-	-	-
<u>71,027</u>	<u>12,140</u>	<u>22,982</u>	<u>35,917</u>	<u>1,101</u>	<u>5,261</u>
<u>\$ 71,492</u>	<u>\$ 12,218</u>	<u>\$ 23,953</u>	<u>\$ 36,565</u>	<u>\$ 1,164</u>	<u>\$ 5,510</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, 2013

(Amounts Expressed in Thousands)

	NPDES Santa Margarita	Flood Control Capital Project Fund	Total
ASSETS			
Cash and Investments	\$ 1,972	\$ 151	\$ 256,834
Restricted Cash	-	-	1,806
Receivables:			
Taxes Receivable	17	-	1,358
Accounts Receivable	-	-	525
Interest Receivable	1	-	130
Due From Other Funds	-	-	359
Due From Other Governments	-	-	1,844
Prepays	-	-	1,460
Total Assets	<u>\$ 1,990</u>	<u>\$ 151</u>	<u>\$ 264,316</u>
LIABILITIES			
Accounts Payable	\$ 272	\$ -	\$ 2,418
Salaries and Benefits Payable	1	-	1,038
Due to Other Funds	12	-	343
Deferred Revenue			
Developer and Other Agency Deposits	-	-	1,863
Due to Other Governments	-	-	1,821
Total Liabilities	<u>285</u>	<u>-</u>	<u>7,483</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	1,662
Unavailable Revenue - Special Assessments	17	-	94
Total Deferred Inflows of Resources	<u>17</u>	<u>-</u>	<u>1,756</u>
FUND BALANCES			
Nonspendable for:			
Imprest Cash	-	-	1
Prepays	-	-	1,460
Restricted for:			
Capital Projects	-	151	151
Public Ways and Facilities	1,688	-	248,950
Assigned to:			
Compensated Absences	-	-	1,807
Unassigned	-	-	2,708
Total Fund Balances	<u>1,688</u>	<u>151</u>	<u>255,077</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,990</u>	<u>\$ 151</u>	<u>\$ 264,316</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 Position - Governmental Activities**

June 30, 2013

(Amounts Expressed in Thousands)

Fund Balances - Total Governmental Funds (Page 20) \$ 255,077

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 825,401

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 Position. 9,853

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 position.

Net Pension Asset	1,667	
OPEB Asset	<u>539</u>	2,206

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 position in the government-wide statement of Net Position.

Earned but unavailable revenues 1,756

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 (3,634)

Net Position of Governmental Activities (Page 15) \$ 1,090,659

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, 2013

(Amounts Expressed in Thousands)

	General Fund	Zone 1	Zone 2	Zone 3
REVENUES				
Property Taxes	\$ 2,778	\$ 6,310	\$ 10,496	\$ 1,398
Redevelopment Pass-thru	650	2,138	2,324	723
Special Assessments	-	-	-	-
Intergovernmental	43	97	163	21
Charges for Services	443	32	1,060	1,219
Area Drainage Fees	-	-	8	-
Investment Earnings (Loss)	(8)	(17)	(58)	(12)
Use of Assets	69	124	6	-
Total Revenues	<u>3,975</u>	<u>8,684</u>	<u>13,999</u>	<u>3,349</u>
EXPENDITURES				
General Government	3,527			
Public Ways and Facilities		12,516	10,417	1,786
Capital Outlay	62	117	800	400
Total Expenditures	<u>3,589</u>	<u>12,633</u>	<u>11,217</u>	<u>2,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>386</u>	<u>(3,949)</u>	<u>2,782</u>	<u>1,163</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	51	-	-
Transfers Out	-	(86)	(55)	(9)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(35)</u>	<u>(55)</u>	<u>(9)</u>
Net Change in Fund Balances	386	(3,984)	2,727	1,154
Fund Balances, Beginning of Year	<u>4,130</u>	<u>23,599</u>	<u>63,544</u>	<u>13,254</u>
Fund Balances, End of Year	<u>\$ 4,516</u>	<u>\$ 19,615</u>	<u>\$ 66,271</u>	<u>\$ 14,408</u>

The accompanying notes are an integral part of this statement.

Zone 4	Zone 5	Zone 6	Zone 7	NPDES Whitewater	NPDES Santa Ana
\$ 10,404	\$ 2,215	\$ 3,205	\$ 3,419	\$ -	\$ -
2,191	479	808	498	-	-
1	-	-	-	299	2,259
159	34	49	53	-	-
1,168	3	876	19	580	437
149	-	-	251	-	-
(54)	(9)	(16)	(31)	(2)	(6)
8	-	4	-	-	-
<u>14,026</u>	<u>2,722</u>	<u>4,926</u>	<u>4,209</u>	<u>877</u>	<u>2,690</u>
13,252	4,979	4,732	4,530	576	2,193
1,401	-	102	-	-	-
<u>14,653</u>	<u>4,979</u>	<u>4,834</u>	<u>4,530</u>	<u>576</u>	<u>2,193</u>
(627)	(2,257)	92	(321)	301	497
5,042	-	-	1,969	-	-
(5,095)	(12)	(18)	(1,987)	-	-
(53)	(12)	(18)	(18)	-	-
(680)	(2,269)	74	(339)	301	497
<u>71,707</u>	<u>14,409</u>	<u>22,908</u>	<u>36,256</u>	<u>800</u>	<u>4,764</u>
<u>\$ 71,027</u>	<u>\$ 12,140</u>	<u>\$ 22,982</u>	<u>\$ 35,917</u>	<u>\$ 1,101</u>	<u>\$ 5,261</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, 2013
(Amounts Expressed in Thousands)

	NPDES Santa Margarita	Flood Control Capital Project Fund	Total
REVENUES			
Property Taxes	\$ -	\$ -	\$ 40,225
Redevelopment Pass-thru	-	-	9,811
Special Assessments	489	-	3,048
Intergovernmental	-	-	619
Charges for Services	1,749	-	7,586
Area Drainage Fees	-	-	408
Investment Earnings (Loss)	(3)	-	(216)
Use of Assets	-	-	211
Total Revenues	<u>2,235</u>	<u>-</u>	<u>61,692</u>
EXPENDITURES			
General Government			3,527
Public Ways and Facilities	1,434	-	56,415
Capital Outlay	-	93	2,975
Total Expenditures	<u>1,434</u>	<u>93</u>	<u>62,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>801</u>	<u>(93)</u>	<u>(1,225)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	200	7,262
Transfers Out	-	-	(7,262)
Total Other Financing Sources (Uses)	<u>-</u>	<u>200</u>	<u>-</u>
Net Change in Fund Balances	801	107	(1,225)
Fund Balances, Beginning of Year	<u>887</u>	<u>44</u>	<u>256,302</u>
Fund Balances, End of Year	<u>\$ 1,688</u>	<u>\$ 151</u>	<u>\$ 255,077</u>

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, 2013

(Amounts Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds (Page 24) \$ (1,225)

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	22,810	
Donation of capital assets	10,025	
Less current year depreciation	<u>(9,098)</u>	23,737

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>55</u>	(84)

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		(309)
---------------------------------	--	-------

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		(4)
--	--	-----

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

		<u>347</u>
--	--	------------

Change in Net Position of Governmental Activities (Page 17)		<u><u>\$ 22,462</u></u>
---	--	-------------------------

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Statement of Net Position
Proprietary Funds
June 30, 2013
(Amount Expressed in Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Subdivision Operations</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and Investments	\$ 1,503	\$ 1,046	\$ 2,549	\$ 7,620
Restricted Cash	2,629	90	2,719	-
Receivables:				
Accounts Receivable (net of allowance for uncollectibles)	277	26	303	7
Interest Receivable	4	1	5	4
Due From Other Funds	-	-	-	39
Due From Other Governments	10	4	14	-
Inventories	-	-	-	236
Total Current Assets	<u>4,423</u>	<u>1,167</u>	<u>5,590</u>	<u>7,906</u>
Noncurrent Assets:				
Capital Assets:				
Depreciable, Net	-	7	7	2,504
Total Assets	<u>\$ 4,423</u>	<u>\$ 1,174</u>	<u>\$ 5,597</u>	<u>\$ 10,410</u>
LIABILITIES AND NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 96	\$ 3	\$ 99	\$ 159
Salaries and Benefits Payable	25	1	26	16
Due to Other Funds	7	5	12	43
Compensated Absences - Current Portion	12	3	15	37
Developer and Other Agency Deposits	2,801	98	2,899	-
Total Current Liabilities	<u>2,941</u>	<u>110</u>	<u>3,051</u>	<u>255</u>
Noncurrent Portion of Long-term Liabilities:				
Compensated Absences	54	15	69	171
Total Noncurrent Liabilities	<u>54</u>	<u>15</u>	<u>69</u>	<u>171</u>
Total Liabilities	<u>2,995</u>	<u>125</u>	<u>3,120</u>	<u>426</u>
Net Position:				
Net Investment in Capital Assets	-	7	7	2,504
Unrestricted	1,428	1,042	2,470	7,480
Total Net Position	<u>1,428</u>	<u>1,049</u>	<u>2,477</u>	<u>9,984</u>
Total Liabilities and Net Position	<u>\$ 4,423</u>	<u>\$ 1,174</u>		<u>\$ 10,410</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>131</u>	
Net Position of Business-type Activities			<u>\$ 2,608</u>	

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 Position
Proprietary Funds

For the Year Ended June 30, 2013

(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	\$ 1,375	\$ 361	\$ 1,736	\$ 6,652
OPERATING EXPENSES				
Personnel Services	633	183	816	2,059
Administrative Services	179	58	237	542
Services and Supplies	609	84	693	2,816
Depreciation	-	9	9	991
Total Operating Expenses	1,421	334	1,755	6,408
Operating Income (Loss)	(46)	27	(19)	244
NONOPERATING REVENUES				
Investment Earnings (Loss)	6	(1)	5	(8)
Gain on Sale of Capital Assets	-	-	-	104
Total Nonoperating Revenues	6	(1)	5	96
Change in Net Position	(40)	26	(14)	340
Net Position, Beginning of Year	1,468	1,023		9,644
Net Position, End of Year	\$ 1,428	\$ 1,049		\$ 9,984
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(7)	
Change in Net Position of Business-type Activities			\$ (21)	

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, 2013
(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	\$ 1,309	\$ 413	\$ 1,722	\$ 6,654
Cash Paid to Suppliers for Goods and Services	(768)	(152)	(920)	(3,311)
Cash Paid to Employees for Services	(648)	(188)	(836)	(2,151)
Net Cash Provided by (Used for) Operating Activities	(107)	73	(34)	1,192
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets	-	-	-	104
Acquisition and Construction of Capital Assets	-	-	-	(1,053)
Net Cash Used in Capital and Related Financing Activities	-	-	-	(949)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	5	(1)	4	(8)
Net Cash Provided by Investing Activities	5	(1)	4	(8)
Net Change in Cash and Cash Equivalents	(102)	72	(30)	235
Cash and Cash Equivalents, Beginning of Year	4,234	1,064	5,298	7,385
Cash and Cash Equivalents, End of Year	\$ 4,132	\$ 1,136	\$ 5,268	\$ 7,620
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (46)	\$ 27	\$ (19)	\$ 244
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	-	9	9	991
Changes in Operating Assets and Liabilities:				
Decrease (Increase) in:				
Accounts Receivable	(45)	(1)	(46)	1
Due from Other Funds	-	-	-	(3)
Due from Other Governments	8	25	33	4
Inventories	-	-	-	(3)
Increase (Decrease) in:				
Accounts Payable	15	(5)	10	66
Salaries and Benefits Payable	(7)	(5)	(12)	(74)
Due to Other Funds	5	5	10	34
Compensated Absences	(8)	-	(8)	(17)
Due to Other Governments	-	(10)	(10)	(51)
Developer and Other Agency Deposits	(29)	28	(1)	-
Net Cash Provided by (Used for) Operating Activities	\$ (107)	\$ 73	\$ (34)	\$ 1,192

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, 2013
(Amounts Expressed in Thousands)

	Agency Funds
ASSETS	
Cash and Investments	\$ 2,817
Cash and Investments with Fiscal Agents	1,697
Total Assets	\$ 4,514
LIABILITIES	
Accounts Payable	\$ 2,817
Due to Bondholders	1,697
Total Liabilities	\$ 4,514

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(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 position 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, 2013
(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, 2013
(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.

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 and the County of Riverside's Investment Policy. 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. Restricted cash of \$1,806 and \$2,719, for governmental and proprietary funds, consists mostly of developer and other agency deposits for specific purposes.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies, to include the District. 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) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District did not have any qualifying items to report in this category for the fiscal year ending June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments expected to fund the current year but received in a future period.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) 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.

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

H) Inventories

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.

I) 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 position. 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, 2013
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) 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.

K) Long-term Debt

The District reports long-term debt of governmental funds at face value in the government-wide statement of net position. 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 position. 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 position.

L) 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 position.

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 position.

M) 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.

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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement also provides guidance for governments that are operators in an SCA. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Currently, this statement has no effect on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The City has implemented GASB No. 61 which is reflected on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 62

In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.” This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Currently, this statement has no effect on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District has implemented GASB No. 63 which is reflected on the District’s financial statements.

Governmental Accounting Standards Board Statement No. 64

In June of 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Statement No. 64 provides guidance for accounting and reporting when interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty’s credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty’s credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 clarifies the accounting treatment when this occurs. Statement No. 64 is effective for periods beginning after June 15, 2011. Currently, this statement has no effect on the District’s financial statements.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

O) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The District has elected to early implement GASB No. 65 which is reflected on the District's financial statements and beginning net position.

Governmental Accounting Standards Board Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*. Statement No. 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal fund type. This statement also amends Statement No. 62, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Statement No. 66 is effective for periods beginning after December 15, 2012. The District has elected not to early implement GASB No. 66 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. This statement was issued to improve the financial reporting by state and local governmental pension plans. The statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trust or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trust covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. Statement No. 67 is effective for periods beginning after June 15, 2013. The District has elected not to early implement GASB No. 67 and has not determined its effect on the District's financial statements.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

O) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The District has elected not to early implement GASB No. 68 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement was issued to improve the financial reporting by state and local governments for government combinations and disposals of government operations. The term *government combinations* is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfer of operations may be present in shared service arrangements, reorganizations, redistricting, annexations and arrangements in which an operation is transferred to a new government created to provide those services. In addition to providing guidance for reporting such activity, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for periods beginning after December 15, 2013. The District has elected not to early implement GASB No. 69 and has not determined its effect on the District's financial statements.

Governmental Accounting Standards Board Statement No. 70

In April of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement was issued to improve the recognition, measurement and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. Statement No. 70 is effective for periods beginning after June 15, 2013. The District has elected not to early implement GASB No. 70 and has not determined its effect on the District's financial statements.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

2) CASH AND INVESTMENTS

Cash and investments totaled \$276,042 as of June 30, 2013. 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 imprest cash on hand and 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 \$1,697 at June 30, 2013.

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	\$ 274,344
Imprest Cash Held at the District	1
Investments Held by Fiscal Agents	1,697
Total Cash and Investments	\$ 276,042

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

Cash and Investments Summary:	
Total Governmental Activities	\$ 266,260
Total Business-type Activities	5,268
Total Fiduciary Funds	4,514
Total Cash and Investments	\$ 276,042

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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

2) CASH AND INVESTMENTS - Continued

A) Investments - Continued

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, 2013, 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	\$1,095	5.43
US Bank Term CD	426	0.69
US Bank Money Market	176	Less than 1 year
Total with Trustee (Fiscal Agent)	\$ 1,697	

B) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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, 2013, the WAM for the Pooled Investment fund portfolio was 1.41 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.

As noted in the County Treasurer's Investment Fund Monthly Report for June 2013, the Pooled Investment fund was rated: Aaa-bf by Moody's Investor Service and AAA/V1 by Fitch Ratings.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

2) CASH AND INVESTMENTS - Continued

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, 2013, the credit rating of the District's investments pursuant to the District's Investment Policy Statement was A+ for Standard & Poor's and A2 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, 2013, 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, 2013
(Amounts Expressed in Thousands)

3) RECEIVABLES

Receivables at year-end of the District's major funds 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	\$ 86	\$ 131	\$ 3	\$ 92	\$ 312
Zone 1	175	35	10	67	287
Zone 2	294	3	33	385	715
Zone 3	39	5	7	233	284
Zone 4	425	1	37	136	599
Zone 5	61	2	6	7	76
Zone 6	88	346	12	900	1,346
Zone 7	96	-	18	24	138
NPDES Whitewater	17	-	-	-	17
NPDES Santa Ana	60	2	3	-	65
NPDES Santa Margarita	17	-	1	-	18
Internal Service Funds	-	7	4	-	11
Total Governmental Activities	<u>\$ 1,358</u>	<u>\$ 532</u>	<u>\$ 133</u>	<u>\$ 1,844</u>	<u>\$ 3,868</u>

Business-type activities:

	Accounts	Interest	Due From Other Governments	Total Receivables
Subdivision Operations	\$ 277	\$ 4	\$ 10	\$ 291
Other Enterprise Funds	26	1	4	31
Total Business-type Activities	<u>\$ 303</u>	<u>\$ 5</u>	<u>\$ 14</u>	<u>\$ 322</u>

4) DEVELOPER AND OTHER AGENCY DEPOSITS

Developer and other agency deposits are deposits made by developers and other governmental agencies to support services 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 accordingly.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

5) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Zone 1	65
	Zone 2	50
	Zone 3	16
	Zone 4	81
	Zone 5	9
	Zone 6	26
	Zone 7	22
	NPDES Whitewater	6
	NPDES Santa Ana	18
	NPDES Santa Margarita	12
	Nonmajor Enterprise Funds	5
	Subdivision Operations	7
	Internal Service Funds	40
	\$ 357	
NPDES Santa Ana	Zone 3	\$ 2
		\$ 2
Garage-Fleet Operations*	Zone 1	\$ 7
	Zone 2	4
	Zone 3	2
	Zone 4	8
	Zone 6	1
	Zone 7	1
	Internal Service Funds	1
	\$ 24	
Project-Maintenance Operations*	Zone 1	\$ 1
	Zone 2	1
		\$ 2
Data Processing*	General Fund	\$ 4
	Zone 1	1
	Zone 2	1
	Zone 4	2
	Zone 6	1
	Zone 7	1
	NPDES Santa Ana	1
Internal Service Funds	2	
	\$ 13	
Total		\$ 398
*Internal Service Funds		

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

5) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

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.

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	\$ 35	Capital Project Payments
Zone 2	Capital Project Fund	55	Capital Project Payments
Zone 3	Capital Project Fund	9	Capital Project Payments
Zone 4	Capital Project Fund	53	Capital Project Payments
Zone 5	Capital Project Fund	12	Capital Project Payments
Zone 6	Capital Project Fund	18	Capital Project Payments
Zone 7	Capital Project Fund	18	Capital Project Payments
		<u>18</u>	
Total		<u>\$ 200</u>	

The internal balances on the government-wide statement of net position 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, 2013
(Amounts Expressed in Thousands)

6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>					
<i>Capital Asset, Nondepreciable:</i>					
Land and Easements	\$ 231,116	\$ 4,435	\$ (33)	\$ -	\$ 235,518
Construction in Progress	11,650	19,863	-	(10,876)	20,637
Total Capital Assets, Nondepreciable	<u>242,766</u>	<u>24,298</u>	<u>(33)</u>	<u>(10,876)</u>	<u>256,155</u>
<i>Capital Assets, Depreciable</i>					
Infrastructure	660,509	8,410	-	10,876	679,795
Land Improvements	110	-	-	-	110
Buildings and Improvements	13,235	93	-	-	13,328
Equipment	14,148	1,120	(449)	-	14,819
Total Capital Assets, Depreciable	<u>688,002</u>	<u>9,623</u>	<u>(449)</u>	<u>10,876</u>	<u>708,052</u>
Less Accumulated Depreciation for:					
Infrastructure	(111,337)	(8,786)	-	-	(120,123)
Land Improvements	(22)	(1)	-	-	(23)
Buildings and Improvements	(3,674)	(266)	-	-	(3,940)
Equipment	(11,628)	(1,035)	447	-	(12,216)
Total Accumulated Depreciation	<u>(126,661)</u>	<u>(10,088)</u>	<u>447</u>	<u>-</u>	<u>(136,302)</u>
Total Capital Assets, Depreciable, Net	<u>561,341</u>	<u>(465)</u>	<u>(2)</u>	<u>10,876</u>	<u>571,750</u>
Governmental Activities Capital Assets, Net	<u>\$ 804,107</u>	<u>\$ 23,833</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 827,905</u>
<u>Business-type Activities:</u>					
<i>Capital Assets, Depreciable</i>					
Equipment	\$ 596	\$ -	\$ -	\$ -	\$ 596
Total Capital Assets, Depreciable	<u>596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596</u>
Less Accumulated Depreciation for:					
Equipment	(580)	(9)	-	-	(589)
Total Accumulated Depreciation	<u>(580)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(589)</u>
Total Capital Assets, Depreciable, Net	<u>16</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>7</u>
Business-type Activities Capital Assets, Net	<u>\$ 16</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

6) CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 310
Public Ways and Facilities	8,787
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.	991
Total Depreciation Expense - Governmental Functions	\$ 10,088

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

Other Enterprise Funds	\$ 9
Total Depreciation Expense - Business-type Functions	\$ 9

Replacement of Capital Assets

In accordance with District rate methodology, a balance of resources has been accumulated in the proprietary fund financial statements for the replacement of District capital assets. As of June 30, 2013, the balance of resources amounted to \$1,000 and is reflected in Unrestricted Net Position.

7) LONG-TERM OBLIGATIONS

The following is a summary of long-term liability transactions for the year ended June 30, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences	\$ 3,856	\$ 277	\$ (291)	\$ 3,842	\$ 706
Total governmental Activities - Long-term liabilities	\$ 3,856	\$ 277	\$ (291)	\$ 3,842	\$ 706
<u>Business-type activities:</u>					
Compensated absences	\$ 92	\$ 6	\$ (14)	\$ 84	\$ 15
Total business-type Activities - Long-term liabilities	\$ 92	\$ 6	\$ (14)	\$ 84	\$ 15

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

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2013
(Amounts Expressed in Thousands)

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.

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, 2013, 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 \$560. 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 \$325 to \$475 plus interest, through September 1, 2017.	<u>\$ 2,055</u>
Total special assessment bonds without governmental obligation:	<u><u>\$ 2,055</u></u>

9) NET POSITION/FUND BALANCES

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ◆ Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.
- ◆ Restricted Net Position - 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 Position - This category represents the net position of the District, not restricted for any project or other purpose.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

9) NET POSITION/FUND BALANCES - Continued

In the fund financial statements, restricted and assigned 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.

10) FUND BALANCE DISCLOSURE

In accordance with Government Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions and the District's Fiscal Policy F2, Fund Balance Policy, the District classifies governmental fund balances as follows:

- ◆ Nonspendable - includes amounts either not in spendable form, or legally or contractually required to be maintained intact.
- ◆ Restricted - constraints placed on the use of amounts are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- ◆ Committed - includes amount committed for specific purposes by the Board of Supervisors, the District's highest level of decision making authority, by adopting an ordinance prior to the end of the fiscal year to commit fund balance. Amounts classified as "Committed" are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the limitation by taking the same form of action it employed to previously impose the limitation. Action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent year.
- ◆ Assigned - includes amounts, intended by the District, to be used for specific purposes. Amounts are neither restricted nor limited. The Board of Supervisors has, by resolution, delegated the authority to assign amounts to be used for specific purposes to the Finance Director and District management for the purpose of reporting these amounts in the financial statements.
- ◆ Unassigned - includes any remaining amounts after classifying fund balances according to the fund balance categories of nonspendable, restricted, committed and assigned.

Fund Balance Spending Order

Unless legal requirements disallow it, the District will spend the most restricted dollars before less restricted in the following order: (1) Nonspendable (if the funds become spendable), (2) Restricted, (3) Committed, (4) Assigned, (5) Unassigned.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

10) FUND BALANCE DISCLOSURE - Continued

Minimum Fund Balance Policy for Governmental Funds

The following minimum fund balance guidelines for governmental funds have been established by the District's Fiscal Policy F2, Fund Balance Policy, to ensure a sufficient level of fund balance is maintained for unanticipated expenditures, delays in revenue receipt, or revenue shortfalls:

◆ Unrestricted Fund Balance - General Fund

The District shall achieve an unrestricted fund balance in its General Fund equal to a minimum of 66 percent of General Fund expenditures. The District will annually evaluate the minimum fund balance provisions and make adjustments according to an assessment of current events and circumstances as well as changing forecasts, projections and other related risks.

The District has established a contingency account and budgets the minimum assigned fund balance in the General Fund with the recommended budget submitted to the Board of Supervisors for approval each fiscal year. Should the minimum fund balance drop below the prescribed level, the District will develop a plan to replenish the minimum fund balance within two years and include the plan with the recommended budget submitted to the Board of Supervisors for approval in the following budget year.

11) 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 2013 was approximately \$235.

12) 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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

12) RETIREMENT PLAN - Continued

Funding Policy

Active plan members in the CalPERS hired on or after November 30, 2011 (SEIU bargaining unit) and December 29, 2011 (LIUNA bargaining unit) are required to contribute 8 percent of their annual covered salary. Members that have completed 5 years of service prior to December 1, 2011 (SEIU bargaining unit) and January 26, 2012 (LIUNA bargaining unit) are required to pay 6 percent and 5 percent of their annual covered salary respectively. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2012-13, the employer contribution rate was 16.8 percent.

Funded Status and Funding Progress

As of The most recent valuation date, the plan was 83.4% funded. The actuarial accrued liability for benefits was \$118.4 million, and the actuarial value of assets was \$ 98.7 million, resulting in an unfunded actuarial liability (UAAL) of \$19.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.4 million, and the ratio of the UAAL to the covered payroll was 127.4%.

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, 2011	\$ 2,116	100%	\$ (1,945)
June 30, 2012	\$ 2,710	100%	\$ (1,806)
June 30, 2013	\$ 2,852	100%	\$ (1,667)

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 Position 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	\$ 2,767
Interest on Net Pension Obligation (Asset)	140
Adjustments to Annual Required Contribution	(55)
Annual Pension Cost	2,852
Contributions Made	(2,852)
Pension Asset Amortization	139
Increase (Decrease) in Net Pension Obligation (Asset)	139
Net Pension Obligation (Asset) Beginning of Year	(1,806)
Net Pension Obligation (Asset) End of Year	\$ (1,667)

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

12) RETIREMENT PLAN - Continued

Actuarial Assumptions

For 2013, the District’s annual pension cost of \$2,852, including interest and adjustments, was equal to the District’s required contributions. The District’s actual contributions were \$2,852, which reflects the required contribution. The annual required contribution was determined as part of the June 30, 2010 actuarial valuation of the plan using the Entry Age Normal 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.

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.

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	3.55% 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 30 year 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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

13) 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, 173 District employees meet the age eligibility requirements, 83 of which will be covered upon retirement while the remaining 90 will qualify upon reaching 5 years of service. Another 91 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 ceased on January 1, 2011. Currently, all retirees who retire are 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.

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 2012-13.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
June 30, 2013
(Amounts Expressed in Thousands)

13) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

The District's annual OPEB cost, net OPEB obligation (asset) and the related information for fiscal year ending 2013 were as follows:

Annual Required Contribution	\$	21
Interest on Net Pension Obligation (Asset)		(37)
Adjustments to Annual Required Contribution		30
Annual Pension Cost		14
Contributions Made		(69)
Pension Asset Amortization		-
Increase (Decrease) in Net Pension Obligation (Asset)		(55)
Net OPEB Obligation (Asset) Beginning of Year		(484)
Net OPEB Obligation (Asset) End of Year	\$	(539)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset (NOA)
June 30, 2011	\$ 38	505%	\$ (429)
June 30, 2012	\$ 15	467%	\$ (484)
June 30, 2013	\$ 14	493%	\$ (539)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

	2012
Actuarial Accrued Liability (a)	\$ 494
Actuarial Value on Plan Assets (b)	321
Unfunded Actuarial Accrued Liability (Funding Excess) (a) - (b)	173
Funded Ratio (b) / (a)	65.0%
Covered Payroll (c)	\$ 15,339
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll ((a) - (b)) / (c)	1.13%

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.

Riverside County Flood Control and Water Conservation District
Notes to Financial Statements
 June 30, 2013
(Amounts Expressed in Thousands)

13) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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	07/01/2012
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Future Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	15-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.61%
Projected Salary Increases	3.00%
Healthcare Inflation Rate - Initial	10.00%
Healthcare Inflation Rate - Ultimate	5.00%
Inflation Rate	2.75%

14) 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 \$9,360.

REQUIRED SUPPLEMENTARY INFORMATION



CONTENTS

- ◆ *Schedule of Funding Progress for PERS*
- ◆ *Notes to the Required Supplementary Information*
- ◆ *Budgetary Comparison Schedules:*
 - ⇒ *General Fund*
 - ⇒ *Special Revenue Funds*



Riverside County Flood Control and Water Conservation District
Schedule of Funding Progress
For the Year Ended June 30, 2013
(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, 2008	\$ 88,463	\$ 98,300	\$ 9,837	90.0%	\$ 14,137	69.6%
June 30, 2009	\$ 93,681	\$ 112,269	\$ 18,587	83.4%	\$ 14,668	126.7%
June 30, 2010	\$ 98,710	\$ 118,367	\$ 19,657	83.4%	\$ 15,423	127.4%

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, 2010	\$ 105	\$ 660	\$ 555	15.9%	\$ 14,396	3.9%
June 30, 2011	\$ 269	\$ 482	\$ 213	55.8%	\$ 15,600	1.4%
June 30, 2012	\$ 321	\$ 494	\$ 173	65.0%	\$ 15,339	1.1%

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, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,032	\$ 3,032	\$ 2,778	\$ (254)
Redevelopment Pass-thru	200	200	650	450
Intergovernmental	45	45	43	(2)
Charges for Services	754	754	443	(311)
Charges for Administrative Services	5	5	-	(5)
Investment Earnings (Loss)	30	30	(8)	(38)
Use of Assets	6	6	69	63
Total Revenues	<u>4,072</u>	<u>4,072</u>	<u>3,975</u>	<u>(97)</u>
EXPENDITURES				
General Government	4,948	4,938	3,527	1,411
Capital Outlay	104	114	62	52
Total Expenditures	<u>5,052</u>	<u>5,052</u>	<u>3,589</u>	<u>1,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(980)</u>	<u>(980)</u>	<u>386</u>	<u>1,366</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	104	104	-	(104)
Total Other Financing Sources (Uses)	<u>104</u>	<u>104</u>	<u>-</u>	<u>(104)</u>
Net Change in Fund Balance	(876)	(876)	386	1,262
Fund Balance, Beginning of Year	<u>1,705</u>	<u>1,435</u>	<u>4,130</u>	<u>2,695</u>
Fund Balance, End of Year	<u>\$ 829</u>	<u>\$ 559</u>	<u>\$ 4,516</u>	<u>\$ 3,957</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, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 6,332	\$ 6,332	\$ 6,310	\$ (22)
Redevelopment Pass-thru	1,236	1,236	2,138	902
Intergovernmental	88	88	97	9
Charges for Services	5	5	32	27
Area Drainage Fees	10	10	-	(10)
Investment Earnings (Loss)	152	152	(17)	(169)
Use of Assets	100	100	124	24
Total Revenues	7,923	7,923	8,684	761
EXPENDITURES				
Public Ways and Facilities	22,982	22,982	12,516	10,466
Capital Outlay	370	370	117	253
Total Expenditures	23,352	23,352	12,633	10,719
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,429)	(15,429)	(3,949)	11,480
OTHER FINANCING SOURCES (USES)				
Transfers In	4,748	2,877	51	(2,826)
Transfers Out	(673)	(837)	(86)	751
Total Other Financing Sources (Uses)	4,075	2,040	(35)	(2,075)
Net Change in Fund Balance	(11,354)	(13,389)	(3,984)	9,405
Fund Balance, Beginning of Year	13,471	13,471	23,599	10,128
Fund Balance, End of Year	\$ 2,117	\$ 82	\$ 19,615	\$ 19,533

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 2
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 10,363	\$ 10,363	\$ 10,496	\$ 133
Redevelopment Pass-thru	1,143	1,143	2,324	1,181
Intergovernmental	149	149	163	14
Charges for Services	1,602	1,602	1,060	(542)
Area Drainage Fees	10	10	8	(2)
Investment Earnings (Loss)	374	374	(58)	(432)
Use of Assets	7	7	6	(1)
Total Revenues	13,648	13,648	13,999	351
EXPENDITURES				
Public Ways and Facilities	43,932	43,932	10,417	33,515
Capital Outlay	3,660	3,660	800	2,860
Total Expenditures	47,592	47,592	11,217	36,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,944)	(33,944)	2,782	36,726
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,040)	(1,040)	(55)	985
Total Other Financing Sources (Uses)	(1,040)	(1,040)	(55)	985
Net Change in Fund Balance	(34,984)	(34,984)	2,727	37,711
Fund Balance, Beginning of Year	31,492	31,492	63,544	32,052
Fund Balance, End of Year	<u>\$ (3,492)</u>	<u>\$ (3,492)</u>	<u>\$ 66,271</u>	<u>\$ 69,763</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 3
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,404	\$ 1,404	\$ 1,398	\$ (6)
Redevelopment Pass-thru	585	585	723	138
Intergovernmental	20	20	21	1
Charges for Services	200	200	1,219	1,019
Investment Earnings (Loss)	80	80	(12)	(92)
Total Revenues	<u>2,289</u>	<u>2,289</u>	<u>3,349</u>	<u>1,060</u>
EXPENDITURES				
Public Ways and Facilities	5,079	5,079	1,786	3,293
Capital Outlay	1,834	1,834	400	1,434
Total Expenditures	<u>6,913</u>	<u>6,913</u>	<u>2,186</u>	<u>4,727</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,624)</u>	<u>(4,624)</u>	<u>1,163</u>	<u>5,787</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	745	745	-	(745)
Transfers Out	(178)	(178)	(9)	169
Total Other Financing Sources (Uses)	<u>567</u>	<u>567</u>	<u>(9)</u>	<u>(576)</u>
Net Change in Fund Balance	(4,057)	(4,057)	1,154	5,211
Fund Balance, Beginning of Year	<u>9,438</u>	<u>9,438</u>	<u>13,254</u>	<u>3,816</u>
Fund Balance, End of Year	<u>\$ 5,381</u>	<u>\$ 5,381</u>	<u>\$ 14,408</u>	<u>\$ 9,027</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 4
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 10,327	\$ 10,327	\$ 10,404	\$ 77
Redevelopment Pass-thru	619	619	2,191	1,572
Special Assessments	2	2	1	(1)
Intergovernmental	162	162	159	(3)
Charges for Services	26	26	1,168	1,142
Area Drainage Fees	400	400	149	(251)
Investment Earnings (Loss)	408	408	(54)	(462)
Use of Assets	8	8	8	-
Total Revenues	<u>11,952</u>	<u>11,952</u>	<u>14,026</u>	<u>2,074</u>
EXPENDITURES				
Public Ways and Facilities	32,124	28,024	13,252	14,772
Capital Outlay	2,256	2,256	1,401	855
Total Expenditures	<u>34,380</u>	<u>30,280</u>	<u>14,653</u>	<u>15,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,428)</u>	<u>(18,328)</u>	<u>(627)</u>	<u>17,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,173	2,173	5,042	2,869
Transfers Out	(1,000)	(5,100)	(5,095)	5
Total Other Financing Sources (Uses)	<u>1,173</u>	<u>(2,927)</u>	<u>(53)</u>	<u>2,874</u>
Net Change in Fund Balance	(21,255)	(21,255)	(680)	20,575
Fund Balance, Beginning of Year	<u>61,305</u>	<u>61,305</u>	<u>71,707</u>	<u>10,402</u>
Fund Balance, End of Year	<u>\$ 40,050</u>	<u>\$ 40,050</u>	<u>\$ 71,027</u>	<u>\$ 30,977</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 5
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,149	\$ 2,149	\$ 2,215	\$ 66
Redevelopment Pass-thru	182	182	479	297
Intergovernmental	31	31	34	3
Charges for Services	1	1	3	2
Investment Earnings (Loss)	80	80	(9)	(89)
Total Revenues	2,443	2,443	2,722	279
EXPENDITURES				
Public Ways and Facilities	10,367	10,367	4,979	5,388
Capital Outlay	75	75	-	75
Total Expenditures	10,442	10,442	4,979	5,463
 Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(7,999)	(7,999)	(2,257)	5,742
 OTHER FINANCING SOURCES (USES)				
Transfers Out	(219)	(219)	(12)	207
Total Other Financing Sources (Uses)	(219)	(219)	(12)	207
 Net Change in Fund Balance				
	(8,218)	(8,218)	(2,269)	5,949
 Fund Balance, Beginning of Year				
	5,085	5,085	14,409	9,324
 Fund Balance, End of Year				
	\$ (3,133)	\$ (3,133)	\$ 12,140	\$ 15,273

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 6
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,179	\$ 3,179	\$ 3,205	\$ 26
Redevelopment Pass-thru	586	586	808	222
Intergovernmental	45	45	49	4
Charges for Services	-	-	876	876
Investment Earnings (Loss)	142	142	(16)	(158)
Use of Assets	49	49	4	(45)
Total Revenues	4,001	4,001	4,926	925
EXPENDITURES				
Public Ways and Facilities	13,817	13,817	4,732	9,085
Capital Outlay	1,100	1,100	102	998
Total Expenditures	14,917	14,917	4,834	10,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,916)	(10,916)	92	11,008
OTHER FINANCING SOURCES (USES)				
Transfers Out	(344)	(344)	(18)	326
Total Other Financing Sources (Uses)	(344)	(344)	(18)	326
Net Change in Fund Balance	(11,260)	(11,260)	74	11,334
Fund Balance, Beginning of Year	9,392	9,392	22,908	13,516
Fund Balance, End of Year	<u>\$ (1,868)</u>	<u>\$ (1,868)</u>	<u>\$ 22,982</u>	<u>\$ 24,850</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 7
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,396	\$ 3,396	\$ 3,419	\$ 23
Redevelopment Pass-thru	357	357	498	141
Intergovernmental	49	49	53	4
Charges for Services	-	-	19	19
Area Drainage Fees	15	15	251	236
Investment Earnings (Loss)	214	214	(31)	(245)
Total Revenues	4,031	4,031	4,209	178
EXPENDITURES				
Public Ways and Facilities	5,113	3,143	4,530	(1,387)
Capital Outlay	2,500	2,500	-	2,500
Total Expenditures	7,613	5,643	4,530	1,113
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,582)	(1,612)	(321)	1,291
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,969	1,969
Transfers Out	(336)	(2,306)	(1,987)	319
Total Other Financing Sources (Uses)	(336)	(2,306)	(18)	2,288
Net Change in Fund Balance	(3,918)	(3,918)	(339)	3,579
Fund Balance, Beginning of Year	33,999	34,099	36,256	2,157
Fund Balance, End of Year	<u>\$ 30,081</u>	<u>\$ 30,181</u>	<u>\$ 35,917</u>	<u>\$ 5,736</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - NPDES - Whitewater
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 291	\$ 291	\$ 299	\$ 8
Charges for Services	533	533	580	47
Investment Earnings (Loss)	3	3	(2)	(5)
Total Revenues	<u>827</u>	<u>827</u>	<u>877</u>	<u>50</u>
EXPENDITURES				
Public Ways and Facilities	934	934	576	358
Total Expenditures	<u>934</u>	<u>934</u>	<u>576</u>	<u>358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107)</u>	<u>(107)</u>	<u>301</u>	<u>408</u>
Net Change in Fund Balance	(107)	(107)	301	408
Fund Balance, Beginning of Year	<u>733</u>	<u>733</u>	<u>800</u>	<u>67</u>
Fund Balance, End of Year	<u><u>\$ 626</u></u>	<u><u>\$ 626</u></u>	<u><u>\$ 1,101</u></u>	<u><u>\$ 475</u></u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - NPDES - Santa Ana
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 2,265	\$ 2,265	\$ 2,259	\$ (6)
Charges for Services	500	500	437	(63)
Investment Earnings (Loss)	20	20	(6)	(26)
Total Revenues	2,785	2,785	2,690	(95)
EXPENDITURES				
Public Ways and Facilities	3,443	3,443	2,193	1,250
Total Expenditures	3,443	3,443	2,193	1,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(658)	(658)	497	1,155
Net Change in Fund Balance	(658)	(658)	497	1,155
Fund Balance, Beginning of Year	3,768	3,768	4,764	996
Fund Balance, End of Year	\$ 3,110	\$ 3,110	\$ 5,261	\$ 2,151

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - NPDES - Santa Margarita
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Special Assessments	\$ 476	\$ 476	\$ 489	\$ 13
Charges for Services	2,031	2,031	1,749	(282)
Investment Earnings (Loss)	4	4	(3)	(7)
Total Revenues	2,511	2,511	2,235	(276)
EXPENDITURES				
Public Ways and Facilities	2,619	2,619	1,434	1,185
Total Expenditures	2,619	2,619	1,434	1,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108)	(108)	801	909
Net Change in Fund Balance	(108)	(108)	801	909
Fund Balance, Beginning of Year	435	435	887	452
Fund Balance, End of Year	\$ 327	\$ 327	\$ 1,688	\$ 1,361

-This page intentionally left blank-



CONTENTS

- ◆ *Budgetary Comparison Schedule*
 - ⇒ *Capital Project Fund*
- ◆ *Combining Statements:*
 - ⇒ *Non-Major Enterprise Funds*
 - ⇒ *Internal Service Funds*
 - ⇒ *Agency 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, 2013
(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	1	1	-	(1)
Total Revenues	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
EXPENDITURES				
Capital Outlay	<u>3,475</u>	<u>3,475</u>	<u>93</u>	<u>3,382</u>
Total Expenditures	<u>3,475</u>	<u>3,475</u>	<u>93</u>	<u>3,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,473)</u>	<u>(3,473)</u>	<u>(93)</u>	<u>3,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>3,475</u>	<u>3,475</u>	<u>200</u>	<u>(3,275)</u>
Total Other Financing Sources (Uses)	<u>3,475</u>	<u>3,475</u>	<u>200</u>	<u>(3,275)</u>
Net Change in Fund Balance	2	2	107	105
Fund Balance, Beginning of Year	<u>422</u>	<u>422</u>	<u>44</u>	<u>(378)</u>
Fund Balance, End of Year	<u><u>\$ 424</u></u>	<u><u>\$ 424</u></u>	<u><u>\$ 151</u></u>	<u><u>\$ (273)</u></u>

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 Net Position
Nonmajor Enterprise Funds
June 30, 2013
(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 709	\$ 337	\$ 1,046
Restricted Cash	3	87	90
Receivables:			
Accounts Receivable	-	26	26
Interest Receivable	1	-	1
Due from Other Governments	-	4	4
Total Current Assets	713	454	1,167
Noncurrent Assets:			
Capital Assets:			
Depreciable, Net	7	-	7
Total Assets	\$ 720	\$ 454	\$ 1,174
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities:			
Accounts Payable	\$ 3	\$ -	\$ 3
Salaries and Benefits Payable	1	-	1
Due to Other Funds	4	1	5
Compensated Absences - Current Portion	2	1	3
Developer and Other Agency Deposits	-	98	98
Total Current Liabilities	10	100	110
Noncurrent Portion of Long-term Liabilities:			
Compensated Absences	10	5	15
Total Noncurrent Liabilities	10	5	15
Total Liabilities	20	105	125
Net Position			
Net Investment in Capital Assets	7	-	7
Unrestricted	693	349	1,042
Total Net Position	700	349	1,049
Total Liabilities and Net Position	\$ 720	\$ 454	\$ 1,174

Riverside County Flood Control and Water Conservation District
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
OPERATING REVENUES			
Charges for Services	\$ 247	\$ 114	\$ 361
OPERATING EXPENSES			
Personnel Services	123	60	183
Administrative Services	32	26	58
Services and Supplies	69	15	84
Depreciation	9	-	9
Total Operating Expenses	233	101	334
Operating Income (Loss)	14	13	27
NONOPERATING REVENUES			
Investment Earnings (Loss)	(1)	-	(1)
Change in Net Position	13	13	26
Net Position, Beginning of Year	687	336	1,023
Net Position, End of Year	\$ 700	\$ 349	\$ 1,049

Riverside County Flood Control and Water Conservation District
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(Amounts Expressed in Thousands)

	Photogrammetry Operations	Encroachment Permits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers/Other Funds	\$ 248	\$ 165	\$ 413
Cash Paid to Suppliers for Goods and Services	(94)	(58)	(152)
Cash Paid to Employees for Services	(119)	(69)	(188)
Net Cash Provided by (Used for) Operating Activities	35	38	73
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	(1)	-	(1)
Net Cash Provided by Investing Activities	(1)	-	(1)
Net Change in Cash and Cash Equivalents	34	38	72
Cash and Cash Equivalents, Beginning of Year	678	386	1,064
Cash and Cash Equivalents, End of Year	\$ 712	\$ 424	\$ 1,136
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ 14	\$ 13	\$ 27
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	9	-	9
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in:			
Accounts Receivable	1	(2)	(1)
Due from Other Funds	-	-	-
Due from Other Governments	-	25	25
Increase (Decrease) in:			
Accounts Payable	3	(8)	(5)
Salaries and Benefits Payable	(2)	(3)	(5)
Due to Other Funds	4	1	5
Due to Other Governments	-	(10)	(10)
Compensated Absences	6	(6)	-
Developer and Other Agency Deposits	-	28	28
Net Cash Provided by (Used for) Operating Activities	\$ 35	\$ 38	\$ 73

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