

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



ITEM
11.2
(ID # 8455)

MEETING DATE:
Tuesday, December 4, 2018

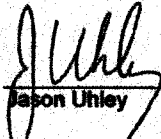
FROM : FLOOD CONTROL DISTRICT AND General Manager-Chief Engineer :

SUBJECT: FLOOD CONTROL DISTRICT: Receive and File Comprehensive Annual Financial Report for Fiscal Year 2017-2018, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the Comprehensive Annual Financial Report for Fiscal Year 2017-2018 prepared by the Riverside County Flood Control and Water Conservation District (District) staff; and
2. Receive and file the Independent Auditor's Report prepared by The Pun Group; and
3. Receive and file the Auditor's Communication with Those Charged with Governance report prepared by The Pun Group.

ACTION: Policy

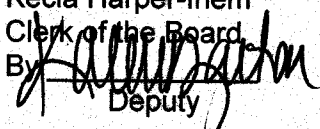

Jason Uhley

11/20/2018

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None
Date: December 4, 2018
xc: Flood

Kecia Harper-Ihem
Clerk of the Board
By 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	18/19

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The District prepared the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 for submission to the Government Finance Officers Association (GFOA), the Board of Supervisors and the citizens served by the District.

The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure, and then to recognize individual governments that succeed in achieving that goal. The District has received this prestigious award for twenty-seven (27) consecutive years. The Fiscal Year 2017-2018 CAFR will mark the District's twenty-eighth (28) submission for this award.

The Fiscal Year 2017-2018 CAFR includes the District's financial statements audited by The Pun Group, statistical information and other pertinent data. The District has received an unmodified opinion from The Pun Group indicating that the District's financial statements have been presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Impact on Residents and Businesses

There is no impact to existing residents or business. The items provided are for informational purposes only.

Additional Fiscal Information

There is no cost to the District.

ATTACHMENTS:

- A - 2018 RC Flood Opinion
- B - 2018 RC Flood AU-C 260
- C - FY17-18 Flood Control CAFR

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

DPB:mc
P8/223269
MT #8455



Jason Farin, Senior Management Analyst 11/27/2018



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District (the "District") as of and for the year ended June 30, 2018, 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 about whether the financial statements are free from material misstatement.

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

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

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 District, as of June 30, 2018, 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.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

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To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
Page Two

Emphasis of Matter

Implementation of GASB Statements Nos. 75

As discussed in Note 1 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of these standards required retrospective application of previously reported net position as of July 1, 2017 as described in Note 11 to the basic financial statements. In addition, net other postemployment benefits asset is reported in the Statement of Net Position in the amount of \$28,786 as of the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios during the Measurement Period – Retirement Program, the Schedule of Plan Contributions – Retirement Program, the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of OPEB Plan Contributions, and the Budgetary Comparison Schedules for each major fund on pages 5 through 15 and 58 through 74 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, Combining and Individual Nonmajor Fund Financial Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements are the responsibility of management and were 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 Combining and Individual Nonmajor Fund Financial Statements are 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.

To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
November 5, 2018

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon November 5, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
Page Two

Purpose of this Report

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

The PwC Group, LLP

Santa Ana, California
November 5, 2018



November 5, 2018

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District (the "District") for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements. As described in Note 1 to the financial statements, the District adopted the following accounting standards:

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB plans. Statement No. 75 is effective for periods beginning after June 15, 2017.

Governmental Accounting Standards Board Statement No. 85

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Statement No. 85 is effective for periods beginning after June 15, 2017.

No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
Page 2

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

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net other postemployment benefit ("OPEB") asset is based on the actuarial valuation on the total OPEB liability and annual statement on the fiduciary net position for the CERBT trust. We evaluated the key factors and assumptions used to develop the net OPEB asset in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Note 1 – Summary of Significant Accounting Policies
- Note 2 – Cash and investments
- Note 7 – Retirement Plan
- Note 8 – Postemployment Benefits Other Than Pensions
- Note 9 – Contingencies and Commitments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios for the Retirement Program, the Schedule of Plan Contributions for the Retirement Program, the Schedules of Changes in Net OPEB Liability and Related Ratios and the Schedule of OPEB Plan Contributions, and the Budgetary Comparison Schedules for each major fund, which are Required Supplementary Information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Nonmajor Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has 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 it.

To the Board of Supervisors
of the Riverside County Flood Control and
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Riverside, California
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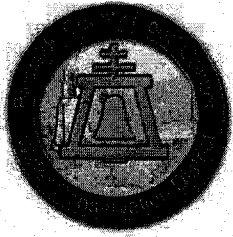
Restriction on Use

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

Very truly yours,

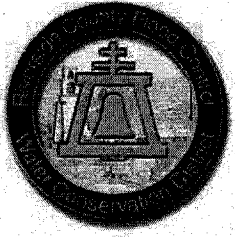
The Pun Group, LLP

The Pun Group, LLP



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018*

*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, 2018*



*Submitted by:
Jason E. Uhley
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, 2018**

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Riverside County Flood Control and Water Conservation District
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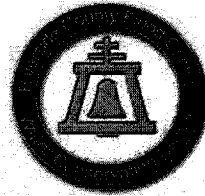
INTRODUCTORY SECTION



Storm at Araby Drive (September 2017)

CONTENTS

- Letter of Transmittal
- GFOA Certificate of Achievement for Excellence in Financial Reporting for 2017
- List of Elected and Appointed Officials
- Organizational Chart



RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

November 5, 2018

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 component unit of the County of Riverside, California. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

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.

The Pun Group, Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The District, formed in 1945 by an Act of the State Legislature, is located in the southern part of the state within the County of Riverside, which boasts the 11th largest cumulative numeric increase in population in the country.¹ The District currently occupies 2,676 square miles and serves a population of approximately 2.02 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 opening 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, Estimates of the Components of Resident Population Change: April 1, 2010 to July 1, 2017

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 County; the operation and maintenance of the District's fleet and facilities, land interests, and encroachment issues; information technology services providing technical support to the District staff; and administrative services providing clerical, financial and personnel support to the District 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, 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 2018 fiscal year budget on September 26, 2017. 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 6.1% of California's total population.² Riverside County is part of a larger area known as Southern California's Inland Empire, comprised of Riverside and San Bernardino counties. 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 2017 to June 2018, the unemployment rate dropped from 5.3% to 4.7% in the inland empire. The 43,400 job gain was led by logistics (12,400), employment agencies (4,000), K-12 education (3,500) and construction (3,300).³ Between August 2017 and August 2018, the government sector led in employment growth, posting a gain of 10,700 with 77% of the job growth in local government.⁴

Over 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 47.3%). This increase in construction and maintenance costs as a percentage of total expenses coincides with an increase of total expenses (a ten-year increase of 44.6%). Maintenance costs for the current fiscal year ended have decreased by 8.9% from 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, 2017 and 2018. Sacramento, CA, May 2018

³ Source: Inland Empire Quarterly Economic Report, July 2018

⁴ Source: State of California, Employment Development Department, Labor Force Data – Riverside and San Bernardino Counties.

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 decreased, both in amount and as a percentage of total revenues (reflecting a ten-year decrease of 52.4%).

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, but rather those projects 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

During the fiscal year ended June 30, 2018, the District issued notices of completion for four projects totaling over \$23.9 million dollars in construction costs. At the close of the fiscal year, the District had a construction contract in progress totaling an additional \$13.6 million dollars. The majority of these projects are estimated for completion by the end of calendar year 2018.

The following District-administered flood control project contracts were completed during, or were under construction during the fiscal year 2017-2018:

Facilities	Status	Construction Cost
Homeland MDP Line 1, Stage 1	Notice of Completion July 25, 2017	\$ 14,344,444
University Wash Channel, Stage 3	Notice of Completion November 14, 2017	\$ 3,044,500
Banning MDP Line D-2, Stages 1 and 2, Lateral D-2A, Stage 1	Notice of Completion February 27, 2018	\$ 3,133,777
Monroe MDP - Monroe Channel, Stage 4	Notice of Completion May 1, 2018	\$ 2,489,067
Heacock Channel (Sunnymead MDP Line B), Stages 3 and 4	In Progress	\$ 13,591,604

Especially notable among the fiscal year 2017-2018 projects is Romoland Line A's follow-on stage, the \$14.3 million Homeland Line 1 and Juniper Flats Basin contract. This project completed most of the area's major infrastructure. The County of Riverside is working to achieve "smart growth". Namely, ensuring that infrastructure is constructed concurrently with the new development rather than retrofitted afterward. Therefore, new development will design the smaller drainage infrastructure necessary for each site plan.

University Wash Channel, a \$3 million dollar project, will provide flood hazard mitigation to the commercial and industrial businesses directly south of the I-91 and I-215 junction within the city of

Riverside. The project extends the existing University Wash channel upstream of Spruce Street to the intersection of Massachusetts Avenue and Durahart Street.

The Banning MDP Line D-2 and Lateral D-2A project is constructing over one mile of underground storm drain that will help collect the runoff from the local streets and reduce flooding at the intersection of Ramsey and Hargrave Streets. The system collects water west of the intersection of Hargrave Street and Indian School Land and conveys it in an underground storm drain southerly along Hargrave Street collecting more surface runoff until it drains into the existing Ramsey Street storm drain.

The Monroe Channel project is a \$2.4 million dollar cooperative project with the City of Riverside to replace a City maintained existing open channel with a District maintained underground reinforced concrete box. The District designed the project to reduce flood risk along Monroe Street between California Avenue and Magnolia Avenue, and to accommodate future City enhancements, which will convert a portion of the channel alignment to a functional recreational paseo.

Heacock Channel Stages 3 and 4 is a \$13.6 million dollar project located in the city of Moreno Valley. This project constructs a 100-year reinforced concrete channel that provides flood hazard mitigation to March Air Reserve Base, adjacent businesses, and local residents.

Additionally, the District continued to collaborate with the Cities of Corona, Norco, Moreno Valley, San Jacinto and Riverside to deliver priority infrastructure. Utilizing District funding (provided through Board-approved cooperation agreements), these Cities are managing design and construction of significant flood control projects.

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, 2017. This was the twenty-seventh consecutive year that the District published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

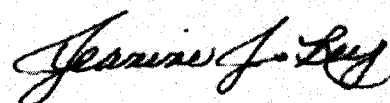
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Darrylenn Prudholme-Brockington, Assistant Finance Director, for her efforts in the preparation of this report. Credit must also be given to the Board of Supervisors, for their unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



JASON UHLEY
General Manager-Chief Engineer



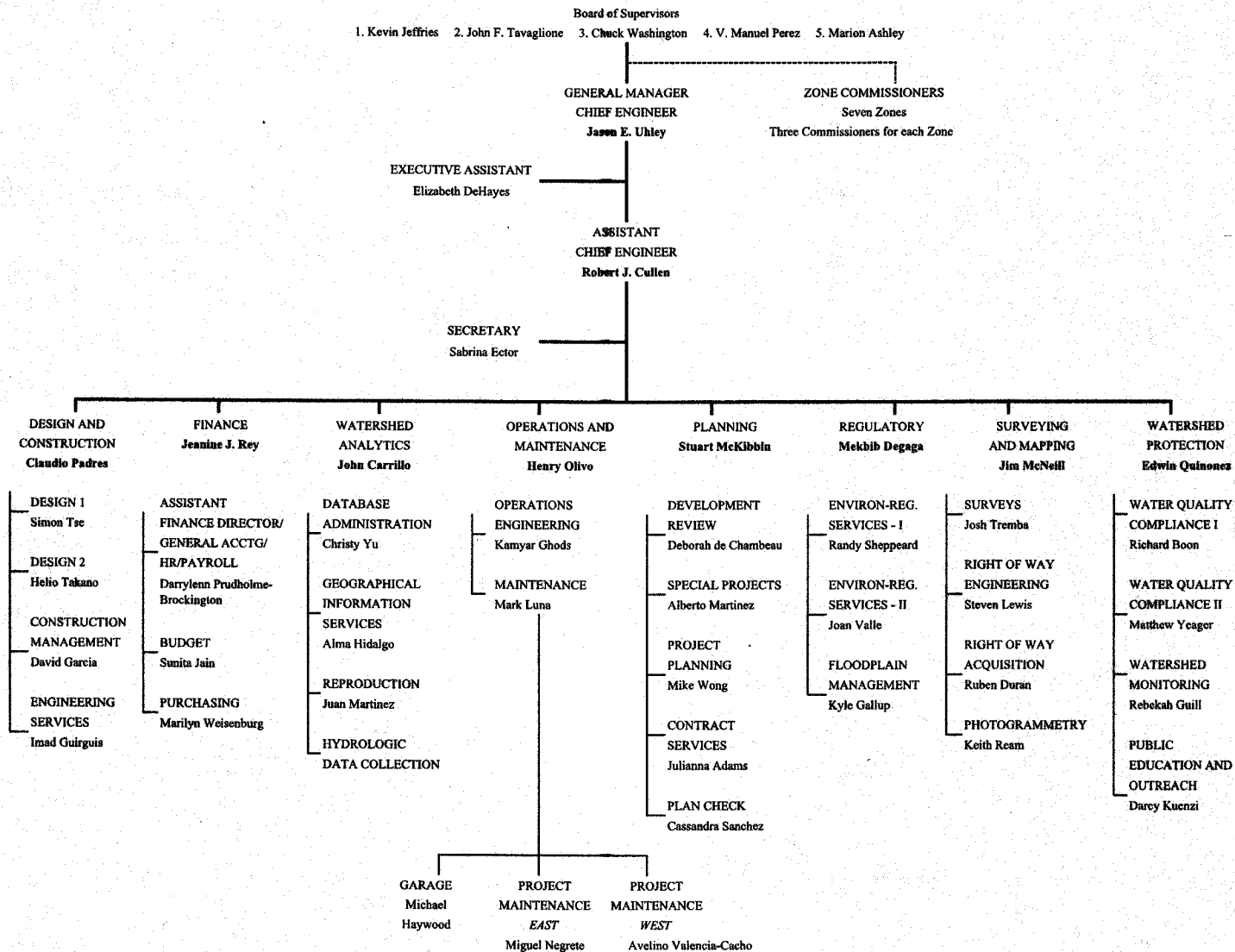
JEANINE J. REY
Finance Director

**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	Chuck Washington, Vice Chairman, 3 rd District
Board of Supervisors	V. Manuel Perez, 4 th District
Board of Supervisors	Marion Ashley, Chairman, 5 th District
General Manager-Chief Engineer	Jason E. Uhley
Assistant Chief Engineer	Robert J. Cullen
Chief of Design & Construction	Claudio Padres
Chief of Operations & Maintenance	Henry Olivo
Chief of Planning	Stuart McKibbin
Chief of Regulatory	Mekbib Degaga
Chief of Surveying & Mapping	Jim McNeill
Chief of Watershed Protection	Edwin Quinonez
Finance Director	Jeanine J. Rey
Watershed Analytics Manager	John Carrillo

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**

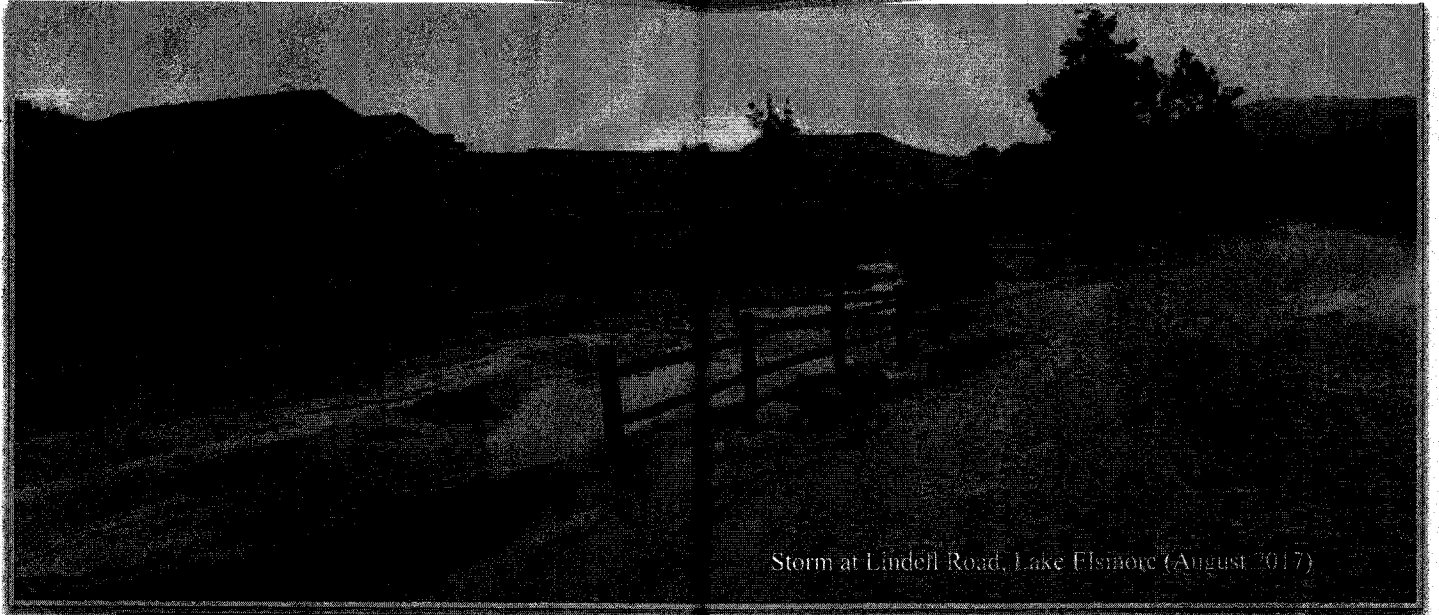
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



Storm at Lindell Road, Lake Elsinore (August 2017)

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- Independent Auditor's Report
- Management's Discussion and Analysis
- Financial Statements
- Required Supplementary Information
- Supplementary Information



Storm at Palm Springs Safari Park (September 2017)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Riverside County Flood Control and Water Conservation District (the "District") as of and for the year ended June 30, 2018, 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 about whether the financial statements are free from material misstatement.

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

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

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 District, as of June 30, 2018, 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.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

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www.pungroup.com

To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
Page Two

Emphasis of Matter

Implementation of GASB Statements Nos. 75

As discussed in Note 1 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of these standards required retrospective application of previously reported net position as of July 1, 2017 as described in Note 11 to the basic financial statements. In addition, net other postemployment benefits asset is reported in the Statement of Net Position in the amount of \$28,786 as of the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios during the Measurement Period – Retirement Program, the Schedule of Plan Contributions – Retirement Program, the Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of OPEB Plan Contributions, and the Budgetary Comparison Schedules for each major fund on pages 5 through 15 and 58 through 74 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, Combining and Individual Nonmajor Fund Financial Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements are the responsibility of management and were 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 Combining and Individual Nonmajor Fund Financial Statements are 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.

To the Board of Supervisors
of the Riverside County Flood Control and
Water Conservation District
Riverside, California
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pw Group, LLP

Santa Ana, California
November 5, 2018

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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, 2018. 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 the nearest dollar.

Financial Highlights

- ◆ The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which resulted in the decrease of the District's unrestricted net position by \$608,686.
- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,173,647,878 (*net position*).
- ◆ The District's total net position increased by \$27,593,216. Approximately 76 percent of this increase is attributable to the addition of donated capital assets, i.e., infrastructure and land, net of investment related expenses.
- ◆ The (\$42,012,466) deficit reported in unrestricted net position is the result of the District's unfunded pension liability.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$236,098,991, an increase of \$10,685,745 in comparison with the prior year. Approximately 1% of this amount (\$1,681,972) is *available for spending* at the District's discretion (*unassigned fund balance*).
- ◆ At the end of the fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$3,527,567, or 63 percent of total general fund expenditures.

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 position 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 16-18 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 13 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. The capital project fund and the debt service fund, nonmajor funds, are presented as *Other Governmental Funds* in the basic governmental fund financial statements.

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 governmental fund financial statements can be found on pages 19-25 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 proprietary fund financial statements can be found on pages 27-29 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 fiduciary fund financial statement can be found on page 30 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 31-57 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 schedule of changes in the net pension liability during the measurement period reported, schedule of plan contributions, progress in funding its obligation to provide other post-employment benefits to its employees. Required supplementary information can be found on pages 58-74 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 76-92 of this report.

Government-wide Financial Analysis

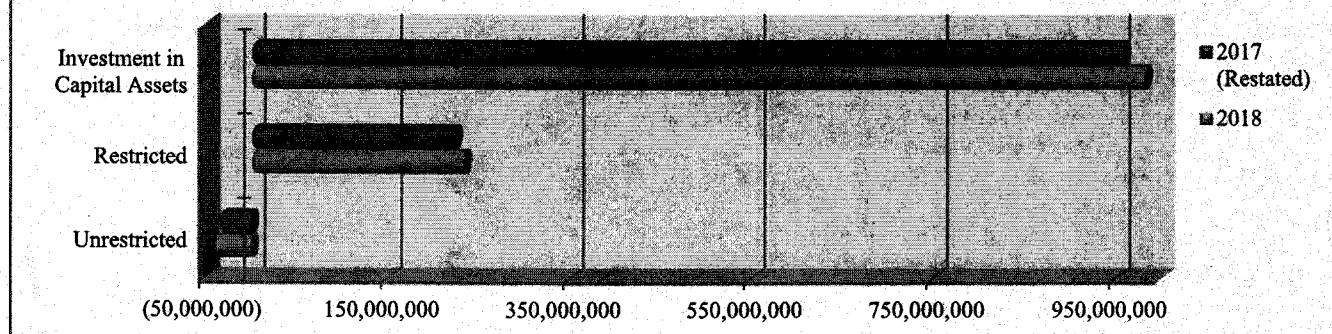
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,173,647,878 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (84 percent) reflects its net investment in capital assets (e.g., land and easements, buildings and improvements, infrastructure, and equipment), less any related outstanding debt that was used to acquire those assets. 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. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	District's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017 (Restated)	2018	2017	2018	2017 (Restated)
Current and Other Assets	\$ 253,113,672	\$ 241,072,673	\$ 4,777,298	\$ 5,465,178	\$ 257,890,970	\$ 247,146,337
Capital Assets, Net	1,000,554,043	978,941,321	70,916	1,203	1,000,624,959	978,945,524
Total Assets	1,253,667,715	1,220,013,994	4,848,214	5,466,381	1,258,515,929	1,226,089,061
Deferred Outflows of Resources	18,384,980	16,762,958	536,594	564,671	18,921,574	17,327,629
Other Liabilities	8,474,335	7,916,099	3,575,127	3,557,513	12,049,462	11,473,612
Long-term Liabilities Outstanding	88,745,832	78,006,800	2,396,122	1,898,960	91,141,954	79,905,760
Total Liabilities	97,220,167	85,922,899	5,971,249	5,456,473	103,191,416	91,379,372
Deferred Inflows of Resources	580,567	5,195,194	17,642	178,776	598,209	5,373,970
Net Position:						
Investment in Capital Assets	982,107,743	958,272,693	70,916	1,203	982,178,659	958,273,896
Restricted	233,481,685	223,411,984	-	-	233,481,685	223,411,984
Unrestricted	(41,337,467)	(36,023,815)	(674,999)	394,600	(42,012,466)	(35,631,218)
Total Net Position	\$1,174,251,961	\$1,145,658,859	\$ (604,083)	\$ 395,803	\$1,173,647,878	\$1,146,054,662

An additional portion of the District's net position (20 percent) represents resources that are subject to external restrictions on how they may be used. As noted earlier, the deficit balance of (\$42,012,466) reported in unrestricted net position (-4 percent) is primarily the result of the District's unfunded pension liability.

District's Net Position June 30, 2016 and 2017



The District's overall net position increased \$27,593,216 from the prior fiscal year. The District experienced a net increase primarily due to increased investments in capital assets.

Governmental activities. During the current fiscal year, net position for the governmental activities increased the District's net position by \$28,593,102 from the prior fiscal year, thereby accounting for 104 percent of the total increase in net position for the District. Key elements of the increase are as follows:

District's Changes in Net Position

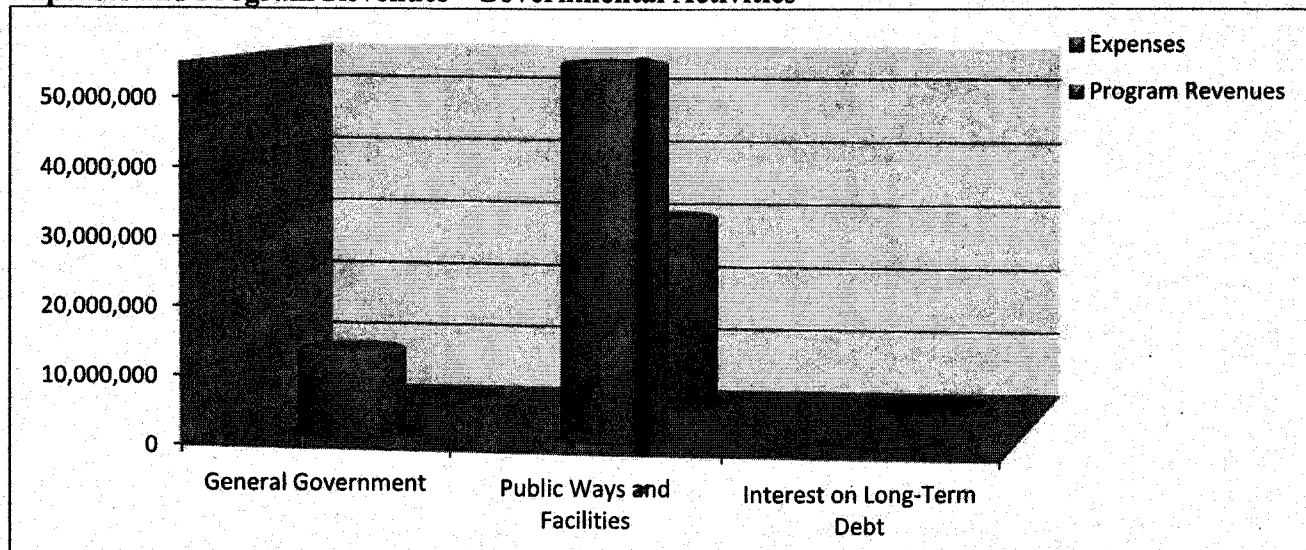
	Governmental Activities		Business-type Activities		Total	
	2018	2017 (Restated)	2018	2017	2018	2017 (Restated)
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,746,715	\$ 12,756,333	\$ 1,748,703	\$ 1,833,241	\$ 8,495,418	\$ 14,589,573
Capital Grants and Contributions	24,176,025	11,527,462	-	-	24,176,025	11,527,462
General Revenues:						
Property Taxes	56,030,106	53,020,304	-	-	56,030,106	53,050,304
Redevelopment Pass-thru	11,139,738	9,525,828	-	-	11,139,738	9,525,828
Unrestricted Interest and Investment Earnings (Loss)	2,322,490	805,351	73,977	46,098	2,396,467	851,449
Gain on Sale of Capital Assets	217,824	83,706	-	-	217,824	83,706
Total Revenues	100,632,898	87,718,983	1,822,680	1,879,339	102,455,578	89,598,322
Expenses:						
General Government	12,831,773	9,603,107	-	-	12,831,773	9,603,107
Public Ways and Facilities	58,609,651	48,541,357	-	-	58,609,651	48,541,357
Interest on Long-Term Debt	598,372	673,972	-	-	598,372	673,972
Subdivision Operations	-	-	2,457,340	1,913,763	2,457,340	1,913,763
Photogrammetry Operations	-	-	169,775	194,301	169,775	194,301
Encroachment Permits	-	-	195,451	117,222	195,451	117,222
Total Expenses	72,039,796	58,818,436	2,822,566	2,225,286	74,862,362	119,253,472
Increase (Decrease) in Net Position before Transfers	28,593,102	28,900,547	(999,886)	(345,947)	27,593,216	28,554,600
Increase (Decrease) in Net Position	28,593,102	28,900,547	(999,886)	(345,947)	27,593,216	28,554,600
Net Position - Beginning	1,145,658,859	1,116,758,312	395,803	741,750	1,146,054,662	1,117,500,062
Net Position - Ending	\$1,174,251,961	\$1,145,658,859	\$ (604,083)	\$ 395,803	\$1,173,647,878	\$1,146,054,662

- ◆ A prior period adjustment of \$608,686 reported in the governmental activities is the result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."
- ◆ Historically, ongoing revenues for governmental activities 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 increased by 15 percent due to an increase of donated capital assets of 150 percent. This increase is due to an increase of previously donated capital assets being placed in service during the current fiscal year. Ongoing revenues continued to exceed expenses by \$4,417,107 (less than 1% of net position).

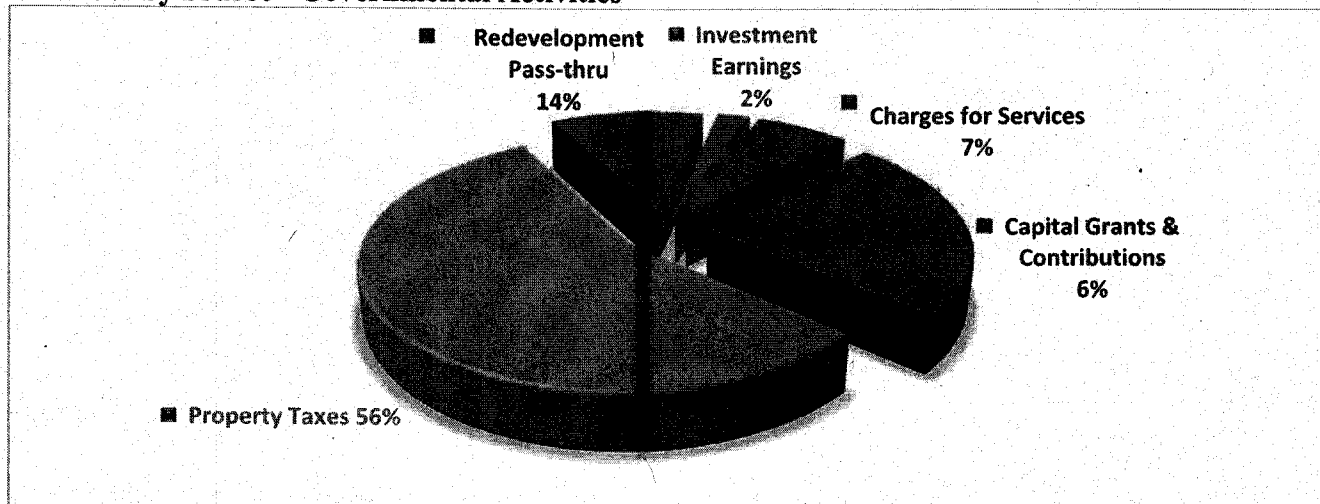
For the most part, increases and decreases in expenses paralleled inflation and growth in the demand for services. Noteworthy exceptions include the following:

- ◆ An increase in Capital Grants and Contributions revenue of \$12,648,563 (110 percent) associated with donated capital assets (infrastructure and land in various zones) being placed in service.
- ◆ A decrease in Charges for Services revenue of \$6,009,617 (47 percent) largely associated with a decrease in intergovernmental revenue.

Expenses and Program Revenues - Governmental Activities



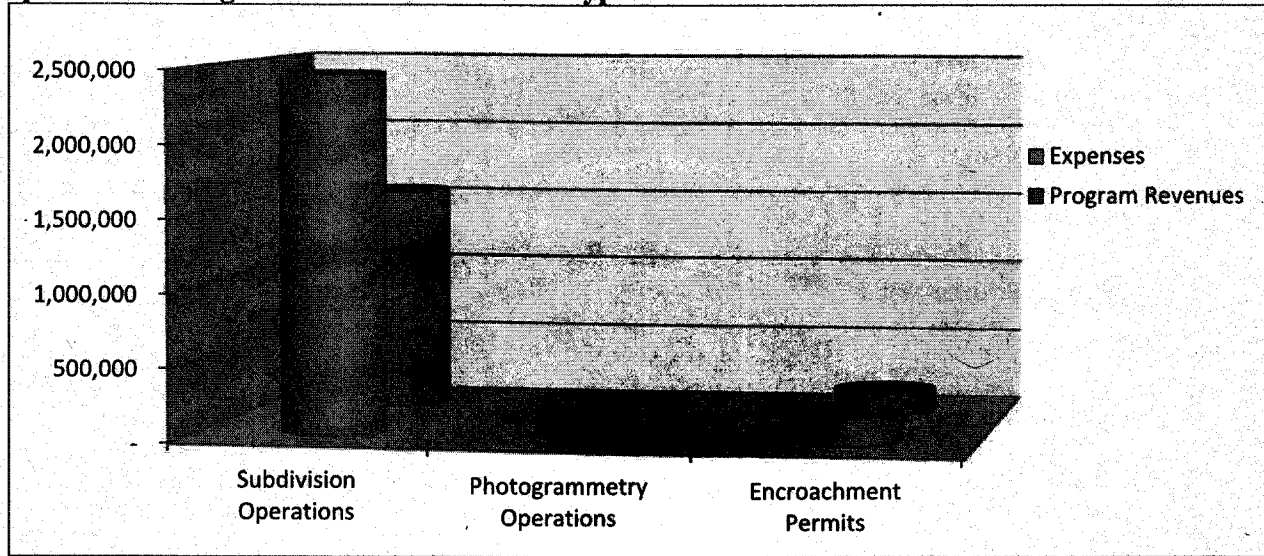
Revenues by Source - Governmental Activities



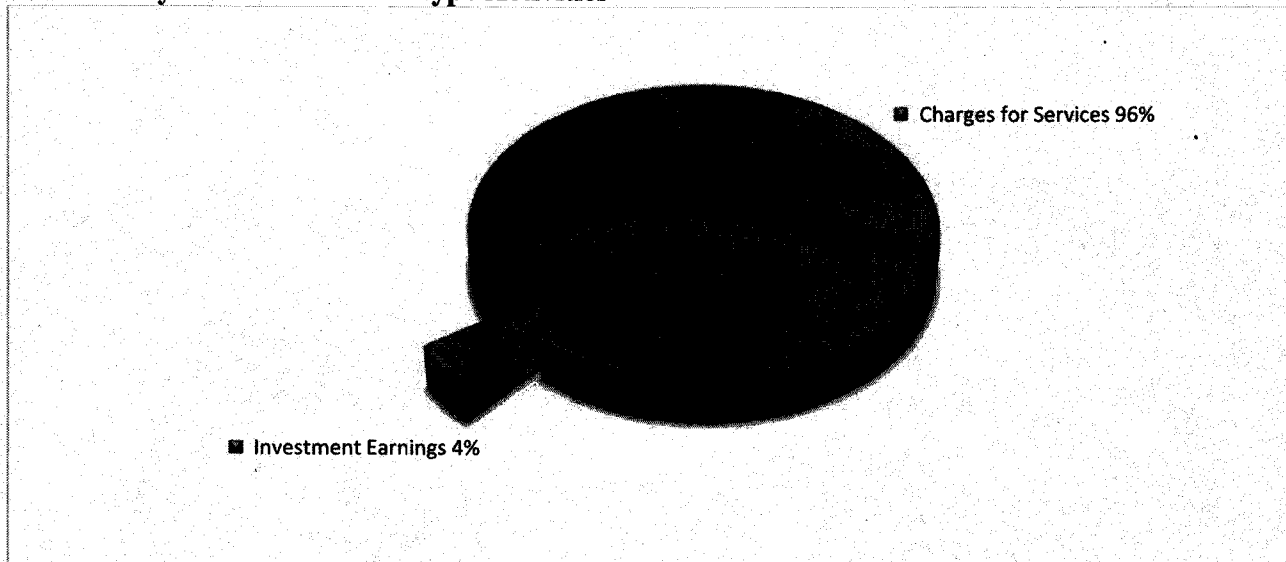
Business-type activities. Business-type activities decreased the District's net position by \$999,886. Key elements of the decrease are as follows.

- ◆ Overall charges for services for business-type activities decreased by 5 percent while expenses increased by 27 percent from the previous fiscal year. 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. Development activity within the Subdivision operations has increased by 3 percent over the past year due to fluctuation in the economy. 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 \$236,098,991 an increase of \$10,685,745 in comparison with the prior year. The majority of this total amount (\$232,570,824) 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* (\$1,681,972) 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* (\$1,845,595) and reflects resources that the District intends to use to fund accrued compensated absence liabilities as required and *nonspendable fund balance* (\$600) for imprest cash.

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 \$1,681,972, while total fund balance reached \$3,528,167. 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 30 percent of total general fund expenditures, while total fund balance represents 63 percent of that same amount.

During the current fiscal year, the fund balance in the District's general fund increased by \$604,016. The increase in fund balance is a result of decreased expenditures. General government expenditures decreased by \$1,128,128 largely due to decreases in salaries and benefits through attrition.

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 \$222,069,978 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year was \$10,301,165. Key factors in the aggregate net increase are as follows:

- ◆ *Zone 1* reported a fund balance of \$30,362,030 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$2,981,137. 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 33 percent (\$745,367). Overall revenues increased (\$1,305,539) as a result of increases in property tax revenue (\$417,256), redevelopment revenue (\$547,551), intergovernmental revenue (\$6,714), charges for services (\$5,445), investment earnings (\$151,322), and area drainage fees (\$191,244). These increases offset the decrease in use of assets from the lease of land (\$13,993). Additionally, expenditures increased (\$690,302) due largely in part to increases in professional service fees to support operations during the fiscal year.

- ◆ *Zone 2* reported a fund balance of \$81,289,813 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$3,408,298. Property tax and redevelopment revenues account for approximately 91 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 a decrease of approximately 56 percent (\$4,269,496). Overall revenues increased (\$1,882,257) as a result of increases in property tax revenue (\$647,163), redevelopment revenue (\$190,759), intergovernmental revenue (\$35,250), charges for services (\$11,556), and investment earnings (\$458,920), and area drainage fees (\$538,809). These increases offset the decrease in use of assets from the lease of land (\$100). Additionally, expenditures increased (\$6,332,480) as a result of increased professional services related to the City of Corona Drains Line 52 Cooperative Agreement and the contribution to the US Army Corps of Engineers for the Santa Ana River Mainstem project.

- ◆ *Zone 3* reported a fund balance of \$11,122,897 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$340,469. 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 negative change in fund balance reflects a decrease of approximately 147 percent (\$1,061,089). Overall revenues increased (\$311,952) as a result of increases in property tax revenue (\$85,447), redevelopment revenue (\$64,686), intergovernmental revenue (\$1,535), investment earnings (\$155,601), and charges for services revenue (\$3,681). Additionally, expenditures increased (\$1,407,270) due largely in part to the increased professional service fees to support operations during the fiscal year.

- ◆ *Zone 4* reported a fund balance of \$43,789,131 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$844,007. Property tax and redevelopment revenues account for approximately 86 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 122 percent (\$4,646,255). Overall revenues decrease (\$5,409,368) as a result of the large decrease in intergovernmental revenue (\$7,944,004) and a small decreases in special assessments (\$459). These decreases offset increases in property tax revenue (\$885,453), redevelopment revenue (\$440,672), area drainage fees (\$272,196), charges for services (\$2,454), investment earnings (\$314,320), and use of assets from the lease of land (\$620,000). Additionally, expenditures decreased (\$512,177) due largely in part to decreased construction activity during the fiscal year.

- ◆ *Zone 5* reported a fund balance of \$14,947,198 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$112,073. 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 a decrease of approximately 93 percent (\$1,471,265). Overall revenues increased (\$503,689) as a result of increases in property tax revenue (\$222,025), redevelopment revenue (\$49,624), and intergovernmental revenue (\$2,323), charges for services (\$12,356), investment earnings (\$81,361), and use of assets from the lease of property (\$136,000). Additionally, expenditures increased (\$2,011,354) due primarily to increased construction costs related to the Banning MDP construction project.

- ◆ *Zone 6* reported a fund balance of \$16,987,092 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$2,431,581. 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 positive change in fund balance reflects an increase of approximately 3 percent (\$61,090). Overall revenues increased (\$479,462) due primarily to increases in property tax revenue (\$219,119), redevelopment revenue (\$185,566), intergovernmental revenue (\$3,372), and investment earnings (\$91,764). These increases offset the decrease in charges for services (\$20,359). Additionally, expenditures increased (\$475,234) due largely in part to increases in salaries and benefits to support operations during the fiscal year.

- ◆ *Zone 7* reported a fund balance of \$23,571,817 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$2,552,552. Property tax and redevelopment revenues account for approximately 91 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 285 percent (\$1,889,200). Overall revenues increased (\$497,405) as a result of increases in property tax revenue (\$282,186), redevelopment revenue (\$25,662), intergovernmental revenue (\$5,345), charges for services revenue (\$95,082), and investment earnings (\$134,966). These decreases offset the decrease in area drainage fees (\$45,835). Additionally, expenditures decreased (\$1,317,405) due largely in part to decreased construction activity during the fiscal year.

The NPDES funds had an aggregate fund balance of \$10,481,862 at the end of the current fiscal year. The aggregate net decrease in fund balance during the current year was \$219,984. Key factors in the net increase are as follows:

- ◆ *NPDES Whitewater* reported a fund balance of \$2,000,401 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$150,082. Special assessment revenues account for approximately 50 percent of total revenues in this fund and can fluctuate from year to year based on economic activity in the County of Riverside and property foreclosures within the watershed boundary. Fluctuation in special assessment revenues could positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects an increase of approximately 547 percent (\$183,664). Overall revenues increased (\$298,099) due primarily to decreases in special assessments revenue (\$1,651), contributions from other agencies (\$286,917), and investment earnings (\$9,531). Additionally, expenditures increased (\$111,061), due largely in part to an increase in salaries and benefits to meet reporting requirements for federally mandated regulatory compliance programs.

- ◆ *NPDES Santa Ana* reported a fund balance of \$6,990,179 at the end of the current fiscal year. The net increase in fund balance during the current fiscal year was \$173,068. Special assessment revenues account for approximately 97 percent of total revenues in this fund and can fluctuate from year to year based on economic activity in the County of Riverside and property foreclosures within the watershed boundary. Fluctuation in special assessment revenues could positively or negatively impact growth in fund balance.

In comparison to the prior year, the positive change in fund balance reflects a decrease of approximately 39 percent (\$108,909). Overall revenues increased (\$94,280) as a result of increases in special assessments (\$55,882) and investment earnings (\$38,398). Additionally, expenditures increased (\$203,410) due largely in part to increases in professional and operational expenses for the storm water/clean water educational programs.

- ◆ *NPDES Santa Margarita* reported a fund balance of \$1,491,282 at the end of the current fiscal year. The net decrease in fund balance during the current fiscal year was \$543,134. 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 negative change in fund balance reflects a decrease of approximately 402 percent (\$722,736). Overall revenues decreased (\$354,312) as a result of a large decrease in contributions from other agencies (\$377,096). This decrease was offset by increases in special assessments (\$12,167) and investment earnings (\$10,617). Additionally, expenditures increased (\$372,525) due largely in part to increases in professional and operational expenses for the storm water/clean water educational programs.

The nonmajor funds, Flood Control Capital Project Fund and Zone 4 Debt Service Fund, reported an aggregate total fund balance of \$18,984 at the end of the current fiscal year. The aggregate net increase in fund balance during the current year in was \$548. Transfers in are used to offset budgeted capital outlay and debt service costs incurred in any given fiscal year.

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

Unrestricted net position at the end of the year for Subdivision Operations amounted to a deficit of (\$1,799,500) while Photogrammetry Operations amounted to \$637,699, and Encroachment Permit Operations amounted to \$348,874. The total decrease in net position for Subdivision operations was \$836,838. The total decrease in net position for Photogrammetry operations was \$123,198 and the total decrease for Encroachment permit operations was \$32,176. 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 \$886,214. The \$886,214 variance was due primarily to costs budgeted for capital outlay expenditures that were not purchased during the fiscal year. Budgeted expenditures decreased by 5 percent from the prior year. There was a 17 percent decrease in actual expenditures from the prior year.
- ◆ Total estimated revenues, including transfers in, exceeded actual revenues by \$528,633. The \$528,633 variance was due in large part to less than anticipated revenues recognized for the reimbursement of services provided by the General Fund. Budgeted charges for services revenues increased by 9 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, 2018, amounts to \$1,000,624,959 (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 2 percent.

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 \$20,943,733.
- ◆ 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 \$41,045,098.

District's Capital Assets

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Infrastructure	\$ 682,108,187	\$ 652,165,739	\$ -	\$ -	\$ 682,108,187	\$ 652,165,739
Land and easements	265,942,934	260,211,025	-	-	265,942,934	260,211,025
Buildings and improvements	9,017,598	9,299,660	-	-	9,017,598	9,299,660
Improvements other than buildings	81,092	82,487	-	-	81,092	82,487
Equipment	2,359,134	2,880,598	70,916	1,203	2,430,050	2,881,801
Construction in progress	41,045,098	54,301,812	-	-	41,045,098	54,301,812
Total	\$1,000,554,043	\$978,941,321	\$ 70,916	\$ 1,203	\$1,000,624,959	\$978,942,524

Additional information on the District's capital assets can be found in Note 4 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 \$18,446,300 in negotiable promissory notes outstanding at the end of the current fiscal year to finance the construction certain flood control facilities located in Zone 4 of the District, including but not limited to the construction of the Romoland MDP Line A, Stage 4 project. The principal of, premium, and interest on the Notes are payable from the revenues and taxes of Zone 4. Additional information on the District's promissory notes can be found in Note 5 on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's principal source of general-purpose revenue is ad valorem property taxes. The Riverside County Assessor is projecting an approximate 6 percent increase in tax revenue on the County assessment roll for the 2018-2019 fiscal year. The District is taking a more conservative approach and estimating an increase of 4.0 percent in tax revenues for the 2018-2019 fiscal year based on the Riverside County Assessor projections and on actual tax revenue received over the last three years.

The District estimates total revenue of \$92.7 million for fiscal year 2018-2019, an increase of \$1.3 million from fiscal year 2017-2018. The District's appropriation budget for all funds totals \$165.5 million for fiscal year 2018-2019, an increase of \$9.7 million from the District's fiscal year 2017-2018 adopted budget.

Total estimated revenue for the seven zones is \$66.2 million for the 2018-2019 fiscal year, an increase of \$1.7 million, or 3 percent, from the 2017-2018 fiscal year. The revenue increase for fiscal year 2018-2019 is due primarily to higher anticipated tax revenue.

The zone budgets for fiscal year 2018-2019 propose appropriations totaling \$135.7 million, an increase of \$12.1 million, or 10 percent, from the prior year budget. This represents 82 percent of the District's total appropriations of \$165.5 million. The \$135.7 million in zone appropriations will provide for all District activities in the zones and includes funds for fifty-seven (57) capital infrastructure projects, six (6) water conservation projects and fifteen (15) uncategorized/ other contributions projects.

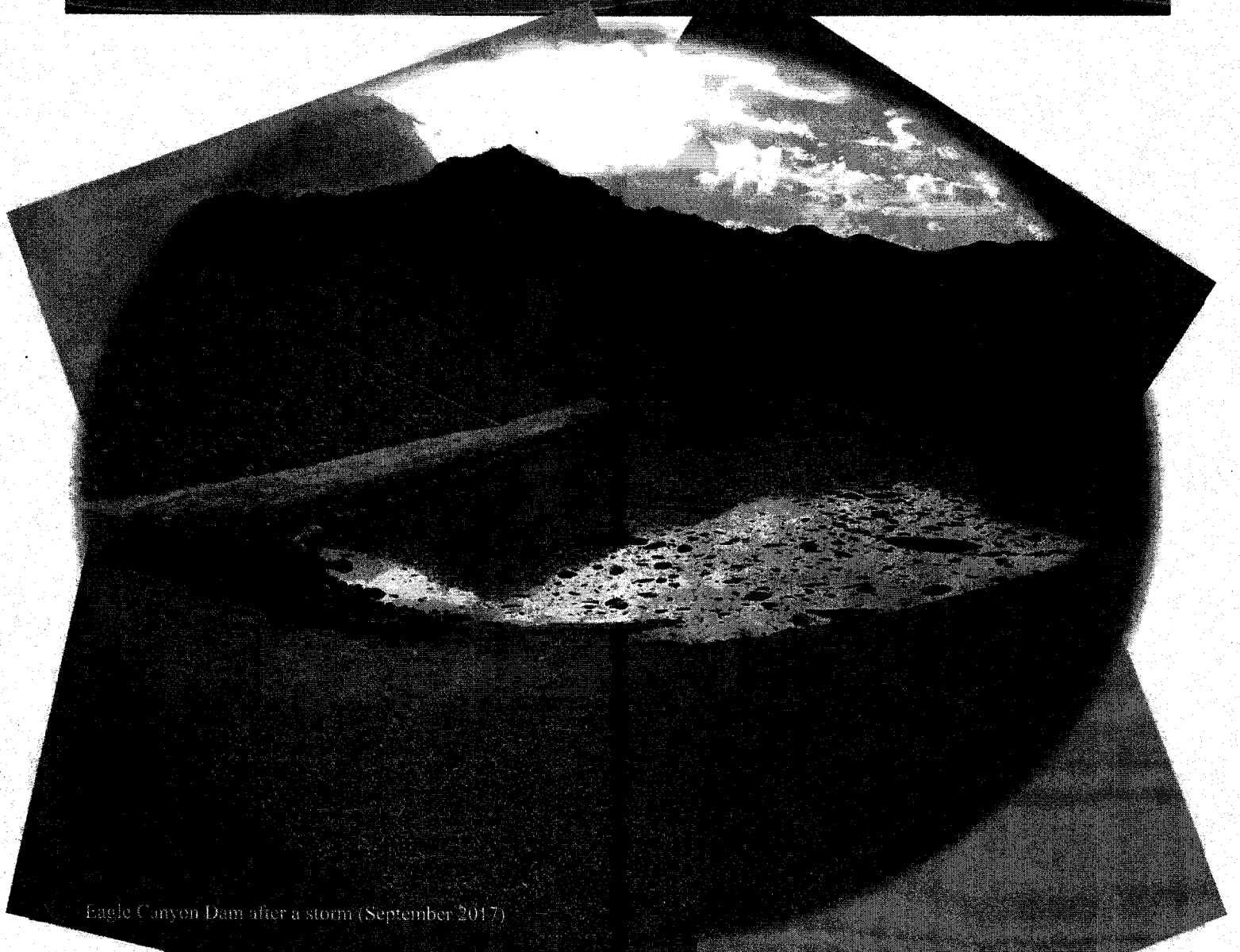
Non-zone fund revenues are estimated to be \$26.5 million for fiscal year 2018-2019, a decrease of \$0.4 million, or 1 percent from fiscal year 2017-2018. Non-zone fund appropriations are proposed to be \$29.7 million for fiscal year 2018-2019. This represents a decrease of \$2.3 million, or 7 percent, from the prior fiscal year's budget.

Appropriations are projected to decrease by \$0.5 million in the General Fund. The Capital Project Fund appropriation is proposed to decrease by \$385,000 due to a decrease in building upgrade plans. The Debt Service Fund requires \$2.8 million in payments for the Zone 4 promissory notes. Enterprise fund appropriations are expected to increase by \$128,000 based on increased plan check services in the Subdivision Operations fund. Appropriations for the Internal Service funds are proposed to decrease by \$890,000 primarily due to the decrease in costs for the services for operation and maintenance in the Garage 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



Eagle Canyon Dam after a storm (September 2017)

CONTENTS

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

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Riverside County Flood Control and Water Conservation District
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 247,886,740	\$ 1,102,738	\$ 248,989,478
Restricted Cash	1,769,475	3,222,136	4,991,611
Receivables (net of allowance for uncollectibles)	3,285,668	318,851	3,604,519
Inventories	276,576	-	276,576
Net OPEB Asset	28,786	-	28,786
Internal Balances	(133,573)	133,573	-
Capital Assets:			
Nondepreciable	306,988,032	-	306,988,032
Depreciable, Net	693,566,011	70,916	693,636,927
Total Assets	<u>1,253,667,715</u>	<u>4,848,214</u>	<u>1,258,515,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to OPEB	60,809	-	60,809
Deferred Outflows of Resources Related to Pensions	18,324,171	536,594	18,860,765
Total Deferred Outflows of Resources	<u>18,384,980</u>	<u>536,594</u>	<u>18,921,574</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	2,817,688	53,541	2,871,229
Salaries and Benefits Payable	1,441,825	74,364	1,516,189
Developer and Other Agency Deposits	1,838,651	3,447,218	5,285,869
Due to Other Governments	1,600,338	4	1,600,342
Accrued Interest Payable	275,833	-	275,833
Unearned Revenue	500,000	-	500,000
Long-term Liabilities:			
Portion Due Within One Year:			
Compensated Absences	312,962	8,075	321,037
Promissory Notes	2,060,000	-	2,060,000
Portion Due in More Than One Year:			
Compensated Absences	3,347,076	86,358	3,433,434
Promissory Notes	16,386,300	-	16,386,300
Net Pension Liability	66,639,494	2,301,689	68,941,183
Total Liabilities	<u>97,220,167</u>	<u>5,971,249</u>	<u>103,191,416</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to OPEB	2,143	-	2,143
Deferred Inflows of Resources Related to Pensions	578,424	17,642	596,066
Total Deferred Inflows of Resources	<u>580,567</u>	<u>17,642</u>	<u>598,209</u>
NET POSITION			
Net Investment in Capital Assets	982,107,743	70,916	982,178,659
Restricted by Enabling Legislation for:			
Capital Projects	18,531	-	18,531
Debt Service	453	-	453
Public Ways and Facilities	233,462,701	-	233,462,701
Unrestricted (Deficit)	(41,337,467)	(674,999)	(42,012,466)
Total Net Position	<u>\$ 1,174,251,961</u>	<u>\$ (604,083)</u>	<u>\$ 1,173,647,878</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, 2018

FUNCTIONS/PROGRAMS:	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 12,831,773	\$ 1,055,256	\$ -
Public Ways and Facilities	58,609,651	5,691,459	24,176,025
Interest on Long-Term Debt	598,372	-	-
Total Governmental Activities	72,039,796	6,746,715	24,176,025
Business-type Activities			
Subdivision Operations	2,457,340	1,551,191	-
Photogrammetry Operations	169,775	38,766	-
Encroachment Permits	195,451	158,746	-
Total Business-type Activities	2,822,566	1,748,703	-
Total	\$ 74,862,362	\$ 8,495,418	\$ 24,176,025

General Revenues and Transfers:

Property Taxes
Redevelopment Pass-thru
Unrestricted Interest and Investment Earnings
Gain - Sale of Capital Assets

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year
Prior Period Adjustment (Note 11)
Restated 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 Position

Governmental Activities	Business- type Activities	Total
(11,776,517)	\$ -	\$ (11,776,517)
(28,742,167)	-	(28,742,167)
(598,372)	-	(598,372)
<u>(41,117,056)</u>	<u>-</u>	<u>(41,117,056)</u>
-	(906,149)	(906,149)
-	(131,009)	(131,009)
-	(36,705)	(36,705)
<u>-</u>	<u>(1,073,863)</u>	<u>(1,073,863)</u>
<u>(41,117,056)</u>	<u>(1,073,863)</u>	<u>(42,190,919)</u>
56,030,106	-	56,030,106
11,139,738	-	11,139,738
2,322,490	73,977	2,396,467
217,824	-	217,824
<u>69,710,158</u>	<u>73,977</u>	<u>69,784,135</u>
28,593,102	(999,886)	27,593,216
1,146,267,545	395,803	1,146,663,348
(608,686)	-	(608,686)
<u>1,145,658,859</u>	<u>395,803</u>	<u>1,146,054,662</u>
<u>\$ 1,174,251,961</u>	<u>\$ (604,083)</u>	<u>\$ 1,173,647,878</u>

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Zone 1	Zone 2	Zone 3
ASSETS				
Cash and Investments	\$ 4,045,696	\$ 30,288,125	\$ 81,581,557	\$ 11,965,279
Restricted Cash	1,630,824	57,387	15,000	280
Receivables (net of allowance for uncollectibles)				
Taxes Receivable	63,896	134,910	239,345	31,499
Accounts Receivable	31,822	151,546	7,604	5,209
Interest Receivable	18,789	99,764	280,573	40,161
Due From Other Funds	37,205	-	-	44
Due From Other Governments	-	30,129	24,464	4,644
Total Assets	<u>\$ 5,828,232</u>	<u>\$ 30,761,861</u>	<u>\$ 82,148,543</u>	<u>\$ 12,047,116</u>
LIABILITIES				
Accounts Payable	\$ 77,862	\$ 9,067	\$ 110,607	\$ 109,357
Salaries and Benefits Payable	423,614	137,707	137,986	42,540
Due to Other Funds	46,173	62,588	38,665	9,627
Developer and Other Agency Deposits	1,664,959	51,365	15,000	280
Due to Other Governments	23,561	4,194	317,127	730,916
Unearned Revenue	-	-	-	-
Total Liabilities	<u>2,236,169</u>	<u>264,921</u>	<u>619,385</u>	<u>892,720</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	63,896	134,910	239,345	31,499
Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>63,896</u>	<u>134,910</u>	<u>239,345</u>	<u>31,499</u>
FUND BALANCES				
Nonspendable:				
Imprest Cash	600	-	-	-
Restricted for:				
Capital Projects	-	-	-	-
Public Ways and Facilities	-	30,362,030	81,289,813	11,122,897
Debt Service	-	-	-	-
Assigned to:				
Compensated Absences	1,845,595	-	-	-
Unassigned	<u>1,681,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,528,167</u>	<u>30,362,030</u>	<u>81,289,813</u>	<u>11,122,897</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,828,232</u>	<u>\$ 30,761,861</u>	<u>\$ 82,148,543</u>	<u>\$ 12,047,116</u>

The accompanying notes are an integral part of this statement.

Zone 4	Zone 5	Zone 6	Zone 7	NPDES Whitewater	NPDES Santa Ana
\$ 45,934,711	\$ 15,083,733	\$ 17,048,554	\$ 24,159,875	\$ 1,904,889	\$ 7,090,641
1,240	26,695	29,468	8,581	-	-
248,129	53,927	70,200	81,734	7,888	38,079
636,020	-	-	-	-	2,608
163,646	50,926	56,967	82,815	6,124	23,834
-	-	-	3,450	-	-
41,637	4,645	9,290	16,265	118,551	-
<u>\$ 47,025,383</u>	<u>\$ 15,219,926</u>	<u>\$ 17,214,479</u>	<u>\$ 24,352,720</u>	<u>\$ 2,037,452</u>	<u>\$ 7,155,162</u>
\$ 2,175,262	\$ 21,532	\$ 54,246	\$ 13,275	\$ 12,084	\$ 60,925
252,637	96,648	59,960	110,322	14,445	53,350
75,753	62,004	13,372	43,067	2,573	11,968
31,240	37,758	29,468	8,581	-	-
453,231	859	141	23,924	61	661
-	-	-	500,000	-	-
<u>2,988,123</u>	<u>218,801</u>	<u>157,187</u>	<u>699,169</u>	<u>29,163</u>	<u>126,904</u>
248,129	53,927	70,200	81,734	-	-
-	-	-	-	7,888	38,079
<u>248,129</u>	<u>53,927</u>	<u>70,200</u>	<u>81,734</u>	<u>7,888</u>	<u>38,079</u>
-	-	-	-	-	-
-	-	-	-	-	-
43,789,131	14,947,198	16,987,092	23,571,817	2,000,401	6,990,179
-	-	-	-	-	-
-	-	-	-	-	-
<u>43,789,131</u>	<u>14,947,198</u>	<u>16,987,092</u>	<u>23,571,817</u>	<u>2,000,401</u>	<u>6,990,179</u>
<u>\$ 47,025,383</u>	<u>\$ 15,219,926</u>	<u>\$ 17,214,479</u>	<u>\$ 24,352,720</u>	<u>\$ 2,037,452</u>	<u>\$ 7,155,162</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, 2018

	NPDES Santa Margarita	Other Governmental Funds	Total
ASSETS			
Cash and Investments	\$ 1,259,139	\$ 18,918	\$ 240,381,117
Restricted Cash	-	-	1,769,475
Receivables (net of allowance for uncollectibles)			
Taxes Receivable	5,150	-	974,757
Accounts Receivable	14	-	834,823
Interest Receivable	3,190	66	826,855
Due From Other Funds	-	-	40,699
Due From Other Governments	365,558	-	615,183
Total Assets	<u>\$ 1,633,051</u>	<u>\$ 18,984</u>	<u>\$ 245,442,909</u>
LIABILITIES			
Accounts Payable	\$ 103,407	\$ -	\$ 2,747,624
Salaries and Benefits Payable	26,813	-	1,356,022
Due to Other Funds	6,294	-	372,084
Developer and Other Agency Deposits	-	-	1,838,651
Due to Other Governments	105	-	1,554,780
Unearned Revenue	-	-	500,000
Total Liabilities	<u>136,619</u>	<u>-</u>	<u>8,369,161</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	923,640
Unavailable Revenue - Special Assessments	5,150	-	51,117
Total Deferred Inflows of Resources	<u>5,150</u>	<u>-</u>	<u>974,757</u>
FUND BALANCES			
Nonspendable for:			
Imprest Cash	-	-	600
Restricted for:			
Capital Projects	-	18,531	18,531
Public Ways and Facilities	1,491,282	-	232,551,840
Debt Service	-	453	453
Assigned to:			
Compensated Absences	-	-	1,845,595
Unassigned	-	-	1,681,972
Total Fund Balances	<u>1,491,282</u>	<u>18,984</u>	<u>236,098,991</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,633,051</u>	<u>\$ 18,984</u>	<u>\$ 245,442,909</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, 2018**

Fund Balances - Total Governmental Funds (Page 21) \$ 236,098,991

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, net of \$2,280,019 reported in Internal Service Funds. 998,274,024

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, net of \$137,928 allocated to business-type activities. 9,955,313

The net OPEB asset is not an available resource and, therefore, is not reported in the funds. 28,786

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet and should be recognized in the government-wide statement of activities as revenue thereby increasing unrestricted net position in the government-wide statement of Net Position. 974,757

Deferred inflows and outflows of resources related to pension and OPEB activity are not reported in the governmental funds but are included in the statement of Net Position.

Deferred outflows of resources	\$ 18,384,980	
Deferred inflows of resources	(580,567)	17,804,413

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

Net pension liability	(66,639,494)	
Promissory notes, including unamortized premiums	(18,446,300)	
Compensated absences, net of \$137,342 reported in internal service funds	(3,522,696)	
Accrued interest payable	(275,833)	(88,884,323)

Net Position of Governmental Activities (Page 16) \$ 1,174,251,961

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, 2018

	General Fund	Zone 1	Zone 2	Zone 3
REVENUES				
Property Taxes	\$ 3,873,346	\$ 8,210,048	\$ 14,434,288	\$ 1,914,111
Redevelopment Pass-thru	722,194	2,739,742	2,106,379	821,930
Special Assessments	-	-	-	1,002
Intergovernmental	41,730	94,770	192,657	22,239
Charges for Services	915,483	8,022	12,773	5,790
Area Drainage Fees	-	497,122	631,666	-
Investment Earnings	43,339	256,394	741,887	199,261
Use of Assets	-	150,961	-	-
Total Revenues	<u>5,596,092</u>	<u>11,957,059</u>	<u>18,119,650</u>	<u>2,964,333</u>
EXPENDITURES				
Current:				
General Government	5,586,934	-	-	-
Public Ways and Facilities	-	6,045,599	14,331,565	2,905,260
Capital Outlay	12,280	2,832,316	275,552	365,600
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>5,599,214</u>	<u>8,877,915</u>	<u>14,607,117</u>	<u>3,270,860</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,122)</u>	<u>3,079,144</u>	<u>3,512,533</u>	<u>(306,527)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	607,138	-	-	-
Transfers Out	-	(98,007)	(104,235)	(33,942)
Total Other Financing Sources (Uses)	<u>607,138</u>	<u>(98,007)</u>	<u>(104,235)</u>	<u>(33,942)</u>
Net Change in Fund Balances	604,016	2,981,137	3,408,298	(340,469)
Fund Balances, Beginning of Year	2,924,151	27,380,893	77,881,515	11,463,366
Fund Balances, End of Year	<u>\$ 3,528,167</u>	<u>\$ 30,362,030</u>	<u>\$ 81,289,813</u>	<u>\$ 11,122,897</u>

The accompanying notes are an integral part of this statement.

	Zone 4	Zone 5	Zone 6	Zone 7	NPDES Whitewater	NPDES Santa Ana
\$	15,097,048	\$ 3,275,959	\$ 4,318,740	\$ 4,919,771	\$ -	\$ -
	2,525,700	553,975	1,263,783	406,035	-	-
	-	-	-	-	302,790	2,401,542
	374,328	36,877	49,178	58,372	286,917	-
	9,347	12,811	390	120,282	-	-
	1,369,393	-	-	111,922	-	-
	433,845	135,533	141,361	212,234	16,317	63,367
	627,800	136,000	3,600	-	-	-
	<u>20,437,461</u>	<u>4,151,155</u>	<u>5,777,052</u>	<u>5,828,616</u>	<u>606,024</u>	<u>2,464,909</u>
	-	-	-	-	-	-
	11,613,225	1,451,204	3,245,709	3,214,656	446,329	2,262,239
	6,662,422	2,557,975	39,000	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>18,275,647</u>	<u>4,009,179</u>	<u>3,284,709</u>	<u>3,214,656</u>	<u>446,329</u>	<u>2,262,239</u>
	<u>2,161,814</u>	<u>141,976</u>	<u>2,492,343</u>	<u>2,613,960</u>	<u>159,695</u>	<u>202,670</u>
	-	-	-	-	-	-
	(3,005,821)	(29,903)	(60,762)	(61,408)	(9,613)	(29,602)
	<u>(3,005,821)</u>	<u>(29,903)</u>	<u>(60,762)</u>	<u>(61,408)</u>	<u>(9,613)</u>	<u>(29,602)</u>
	(844,007)	112,073	2,431,581	2,552,552	150,082	173,068
	<u>44,633,138</u>	<u>14,835,125</u>	<u>14,555,511</u>	<u>21,019,265</u>	<u>1,850,319</u>	<u>6,817,111</u>
\$	<u>43,789,131</u>	<u>\$ 14,947,198</u>	<u>\$ 16,987,092</u>	<u>\$ 23,571,817</u>	<u>\$ 2,000,401</u>	<u>\$ 6,990,179</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, 2018

	NPDES Santa Margarita	Other Governmental Funds	Total
REVENUES			
Property Taxes	\$ -	\$ -	\$ 56,043,311
Redevelopment Pass-thru	-	-	11,139,738
Special Assessments	526,568	-	3,231,902
Intergovernmental	1,014,242	-	2,171,310
Charges for Services	-	-	1,084,898
Area Drainage Fees	-	-	2,610,103
Investment Earnings	15,533	548	2,259,619
Use of Assets	-	-	918,361
Total Revenues	<u>1,556,343</u>	<u>548</u>	<u>79,459,242</u>
EXPENDITURES			
Current:			
General Government	-	-	5,586,934
Public Ways and Facilities	2,078,532	-	47,594,318
Capital Outlay	-	-	12,745,145
Debt service:			
Principal	-	1,980,000	1,980,000
Interest	-	867,100	867,100
Total Expenditures	<u>2,078,532</u>	<u>2,847,100</u>	<u>68,773,497</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(522,189)</u>	<u>(2,846,552)</u>	<u>10,685,745</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	2,847,100	3,454,238
Transfers Out	(20,945)	-	(3,454,238)
Total Other Financing Sources (Uses)	<u>(20,945)</u>	<u>2,847,100</u>	<u>-</u>
Net Change in Fund Balances	(543,134)	548	10,685,745
Fund Balances, Beginning of Year	<u>2,034,416</u>	<u>18,436</u>	<u>225,413,246</u>
Fund Balances, End of Year	<u>\$ 1,491,282</u>	<u>\$ 18,984</u>	<u>\$ 236,098,991</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, 2018**

Net Change in Fund Balances - Total Governmental Funds (Page 25)

\$ 10,685,745

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, net of \$424,385 reported in Internal Service Funds	\$ 12,745,145	
Effect on disposal of capital assets	(15,672)	
Donation of Capital Assets	20,943,834	
Less current year depreciation, net of \$895,675 reported in Internal Service Fund	<u>(11,587,106)</u>	22,086,201

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

Change in unavailable revenue	<u>(12,916)</u>	(12,916)
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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.

OPEB expense, net of \$36,327 OPEB contribution after measurement date	30,863	
Pension expense, net of \$4,195,603 pension contribution after measurement date	(7,165,404)	
Change in compensated absences, net of \$9,904 reported in Internal Service Fund	372,123	
Amortization of bond premium	242,328	
Interest Expense	<u>26,400</u>	(6,493,690)

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, net of (\$7,674) allocated to business-type activities

347,762

The repayment of principal reduces long-term liabilities in the governmental activities statement of net position.

1,980,000

Change in Net Position of Governmental Activities (Page 18)

\$ 28,593,102

Riverside County Flood Control and Water Conservation District
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Subdivision Operations	Other Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 89,524	\$ 1,013,214	\$ 1,102,738	\$ 7,505,623
Receivables:				
Accounts Receivable (net of allowance for uncollectibles)	294,444	3,494	297,938	8,787
Interest Receivable	11,311	4,165	15,476	25,327
Due From Other Funds	2,370	6,082	8,452	352,763
Due From Other Governments	5,006	431	5,437	5
Inventories	-	-	-	276,576
Total Current Assets	<u>402,655</u>	<u>1,027,386</u>	<u>1,430,041</u>	<u>8,169,081</u>
Noncurrent Assets:				
Restricted Cash	3,071,499	150,637	3,222,136	-
Capital Assets:				
Depreciable, Net	-	70,916	70,916	2,280,019
Total Noncurrent Assets	<u>3,071,499</u>	<u>221,553</u>	<u>3,293,052</u>	<u>2,280,019</u>
Total Assets	<u>3,474,154</u>	<u>1,248,939</u>	<u>4,723,093</u>	<u>10,449,100</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pensions	536,594	-	536,594	-
Total Deferred Outflows of Resources	<u>536,594</u>	<u>-</u>	<u>536,594</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	53,541	-	53,541	70,133
Salaries and Benefits Payable	51,920	22,444	74,364	85,803
Due to Other Funds	9,686	3,121	12,807	17,023
Due to Other Governments	-	4	4	45,558
Compensated Absences - Current Portion	6,498	1,577	8,075	11,743
Developer and Other Agency Deposits	3,299,779	147,439	3,447,218	-
Total Current Liabilities	<u>3,421,424</u>	<u>174,585</u>	<u>3,596,009</u>	<u>230,260</u>
Noncurrent Liabilities:				
Compensated Absences	69,493	16,865	86,358	125,599
Net Pension Liability	2,301,689	-	2,301,689	-
Total Noncurrent Liabilities	<u>2,371,182</u>	<u>16,865</u>	<u>2,388,047</u>	<u>125,599</u>
Total Liabilities	<u>5,792,606</u>	<u>191,450</u>	<u>5,984,056</u>	<u>355,859</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pensions	17,642	-	17,642	-
Total Deferred Inflows of Resources	<u>17,642</u>	<u>-</u>	<u>17,642</u>	<u>-</u>
Net Position:				
Investment in Capital Assets	-	70,916	70,916	2,280,019
Unrestricted (Deficit)	(1,799,500)	986,573	(812,927)	7,813,222
Total Net Position	<u>\$ (1,799,500)</u>	<u>\$ 1,057,489</u>	<u>\$ (742,011)</u>	<u>\$ 10,093,241</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>137,928</u>	
Net Position of Business-type Activities			<u>\$ (604,083)</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, 2018

	<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>	
OPERATING REVENUES				
Charges for Services	\$ 1,551,191	\$ 197,512	\$ 1,748,703	\$ 7,155,695
OPERATING EXPENSES				
Personnel Services	1,294,012	227,818	1,521,830	1,661,562
Administrative Services	231,093	54,887	285,980	-
Services and Supplies	923,201	78,519	1,001,720	4,418,636
Depreciation	-	5,362	5,362	895,675
Total Operating Expenses	<u>2,448,306</u>	<u>366,586</u>	<u>2,814,892</u>	<u>6,975,873</u>
Operating Income (Loss)	<u>(897,115)</u>	<u>(169,074)</u>	<u>(1,066,189)</u>	<u>179,822</u>
NONOPERATING REVENUES				
Investment Earnings (Loss)	60,277	13,700	73,977	62,871
Gain on Sale of Capital Assets	-	-	-	97,395
Total Nonoperating Revenues	<u>60,277</u>	<u>13,700</u>	<u>73,977</u>	<u>160,266</u>
Income (Loss)	<u>(836,838)</u>	<u>(155,374)</u>	<u>(992,212)</u>	<u>340,088</u>
Change in Net Position	(836,838)	(155,374)	(992,212)	340,088
Net Position, Beginning of Year	<u>(962,662)</u>	<u>1,212,863</u>	<u>250,201</u>	<u>9,753,153</u>
Net Position, End of Year	<u>\$ (1,799,500)</u>	<u>\$ 1,057,489</u>		<u>\$ 10,093,241</u>
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>(7,674)</u>	
Change in Net Position of Business-type Activities			<u>\$ (999,886)</u>	

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, 2018

	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	\$ 1,606,484	\$ 177,252	\$ 1,783,736	\$ 6,962,468
Cash Paid to Suppliers for Goods and Services	(1,205,551)	(131,588)	(1,337,139)	(4,459,737)
Cash Paid to Employees for Services	(941,828)	(214,728)	(1,156,556)	(1,680,160)
Net Cash Provided by (Used In) Operating Activities	<u>(540,895)</u>	<u>(169,064)</u>	<u>(709,959)</u>	<u>822,571</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets	-	-	-	99,584
Acquisition and Construction of Capital Assets	-	(75,075)	(75,075)	(424,385)
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(75,075)</u>	<u>(75,075)</u>	<u>(324,801)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	57,361	11,404	68,765	45,477
Net Cash Provided by Investing Activities	<u>57,361</u>	<u>11,404</u>	<u>68,765</u>	<u>45,477</u>
Net Change in Cash and Cash Equivalents	(483,534)	(232,735)	(716,269)	543,247
Cash and Cash Equivalents, Beginning of Year	3,644,557	1,396,586	5,041,143	6,962,376
Cash and Cash Equivalents, End of Year	<u>\$ 3,161,023</u>	<u>\$ 1,163,851</u>	<u>\$ 4,324,874</u>	<u>\$ 7,505,623</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ (897,115)	\$ (169,074)	\$(1,066,189)	\$ 179,822
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Depreciation	-	5,362	5,362	895,675
Changes in Operating Assets and Liabilities:				
Decrease (Increase) in:				
Accounts Receivable	(30,309)	(707)	(31,016)	912
Due from Other Funds	(1,811)	(6,075)	(7,886)	(194,139)
Due from Other Governments	-	1,940	1,940	-
Inventories	-	-	-	(175)
Deferred Outflows of Resources Related to Pensions	(167,641)	-	(167,641)	-
Increase (Decrease) in:				
Accounts Payable	(55,477)	-	(55,477)	(58,772)
Salaries and Benefits Payable	(13,032)	14,201	1,169	(8,694)
Due to Other Funds	4,220	1,891	6,111	8,059
Compensated Absences	2,238	(1,111)	1,127	(9,904)
Net Pension Liability	496,035	-	496,035	-
Due to Other Governments	-	(73)	(73)	9,787
Deferred Inflows of Resources Related to Pensions	34,584	-	34,584	-
Developer and Other Agency Deposits	87,413	(15,418)	71,995	-
Net Cash Provided by (Used In) Operating Activities	<u>\$ (540,895)</u>	<u>\$ (169,064)</u>	<u>\$ (709,959)</u>	<u>\$ 822,571</u>

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and Investments	\$ 3,541,660
Receivables:	
Interest Receivable	10,806
Total Assets	\$ 3,552,466
LIABILITIES	
Accounts Payable	\$ 3,552,466
Total Liabilities	\$ 3,552,466

The accompanying notes are an integral part of this statement.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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 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.

Riverside County Infrastructure Financing Authority (IFA). The Board is the governing body of the IFA and the County is responsible for all its financial debt. The IFA is a joint exercise of powers authority, duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated September 15, 2015 by and between the County of Riverside and the District. The IFA is authorized and empowered to issue bonds for the purpose of financing and refinancing public capital improvements of the County.

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 position 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 the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Fund Financial Statements - Continued

The District reports the following as major governmental funds:

- ◆ 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.
- ◆ Data from the District's remaining two governmental funds are combined into a single aggregated presentation as *Other Governmental Funds*. Individual fund data for both of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section.

The District reports the following major enterprise funds:

- ◆ 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. The District reports on 3 different agency funds.

D) Basis of Accounting and Measurement Focus

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 the Financial Statements
For the Year Ended June 30, 2018

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 \$1,769,475 and \$3,222,136, for governmental and business-type activities respectively, 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

The statement of financial position reports 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 recognizes deferred outflows of resources on the government-wide financial statements in relation to pensions and other postemployment benefits (OPEB).

The statement of financial position reports 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 reports an item under this category on the governmental funds balance sheet, under the modified accrual basis of accounting, labeled *unavailable revenue* from two sources: property taxes and special assessments expected to fund the current year but received in a future period. The District also recognizes deferred inflows of resources on the government-wide financial statements in relation to pensions and other postemployment benefits (OPEB).

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

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: \$5,000 for equipment, \$1 dollar for buildings (structures), land and land improvements, and \$150,000 for infrastructure.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Capital Assets – Continued

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	Buildings	50 years
Improvements:	Building improvements	50 years
Equipment:	Autos, personal computers and equipment valued at less than \$25,000	3 years
	Computer items, small trucks and equipment valued between \$25,000 and \$75,000	5 years
	Large trucks and equipment valued at greater than \$75,000	7 years

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. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. The premiums, discounts, and deferred gains and losses are reported in the government-wide statement of net position and are amortized over the life of the debt.

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) 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 the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N) 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.

O) 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 reports all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category. The amount is further reduced by the associated debts, net of unspent debt proceeds.
- ◆ 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.

When expenses are incurred for purposes of which both restricted and unrestricted net positions are available, the District's policy is to apply restricted net position first, then unrestricted net position as needed.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Net Position/Fund Balances - Continued

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. The general fund is the only governmental fund that reports a positive amount of unassigned fund balance. However, if a governmental fund other than the general fund were to have nonspendable, restricted, and committed fund balance in excess of total fund balance, the difference would be reported as negative unassigned fund balance.

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 the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Net Position/Fund Balances - 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.

P) 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.

Q) Pensions

The pension expense is for the measurement period of 2016-17 and the net pension liability is measured as of June 30, 2017. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2016 and were rolled forward to June 30, 2017.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and addition to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five year period.

Other gains and losses related to changes in total pension liability and fiduciary net position are recognized as pension expenses over time. They are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits as of the beginning of the measurement period.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R) Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows or resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB plans. Statement No. 75 is effective for periods beginning after June 15, 2017. The effects of this statement are reflected on the District's financial statements.

Governmental Accounting Standards Board Statement No. 86

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for periods beginning after June 15, 2017. This statement does not have any effect on the District's financial statements.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

2) CASH AND INVESTMENTS

Cash and investments totaled \$257,522,149 as of June 30, 2018. Each fund's portion of this total is reflected in the financial statement accounts entitled "Cash and Investments", "Cash and Cash Equivalents", and "Restricted Cash".

All District cash and investments are on deposit with the County Treasurer with the exception of imprest cash on hand, proceeds from debt issuances, and a portion of cash collected from special assessments. Proceeds from debt issuances are reported in the governmental funds and is on account with a third party. 100 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 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	\$ 257,522,149
Imprest Cash Held at the District	600
Total Cash and Investments	<u>\$ 257,522,749</u>

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

Cash and Investments Summary:	
Total Governmental Activities	\$ 249,656,215
Total Business-type Activities	4,324,874
Total Fiduciary Funds	3,541,660
Total Cash and Investments	<u>\$ 257,522,749</u>

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

2) CASH AND INVESTMENTS - Continued

A) Investments

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

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

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

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

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, 2018, the WAM for the Pooled Investment fund portfolio was 1.17 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 2018, the Pooled Investment fund was rated: Aaa-bf by Moody's Investor Service and AAAf/S1 by Fitch Ratings.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

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, 2018, the credit rating of the District's investments pursuant to the District's Investment Policy Statement was AA for Standard & Poor'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, 2018, there were no investments that constitute a concentration of credit risk.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

3) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts due to/from other funds as of June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Zone 1	\$ 5,519
	Zone 2	5,649
	Zone 3	1,686
	Zone 4	10,105
	Zone 5	3,794
	Zone 6	2,419
	Zone 7	4,327
	NPDES Whitewater	575
	NPDES Santa Ana	2,091
	NPDES Santa Margarita	1,040
		<u>\$ 37,205</u>
	Zone 3	Subdivision Operations
		<u>\$ 44</u>
Zone 7	Zone 1	\$ 2,452
	Zone 2	998
		<u>\$ 3,450</u>
Subdivision Operations	Zone 3	206
	Zone 6	1,316
	Zone 7	848
		<u>\$ 2,370</u>
Nonmajor Enterprise Funds	Zone 1	\$ 144
	Zone 4	3,271
	Zone 5	433
	Zone 6	723
	Zone 7	1,511
	<u>\$ 6,082</u>	
Internal Service Funds	General Fund	\$ 46,173
	Zone 1	54,473
	Zone 2	32,018
	Zone 3	7,735
	Zone 4	62,377
	Zone 5	57,777
	Zone 6	8,914
	Zone 7	36,381
	NPDES Whitewater	1,998
	NPDES Santa Ana	9,877
	NPDES Santa Margarita	5,254
	Subdivision Operations	9,642
	Nonmajor Enterprise Funds	3,121
	Internal Service Funds	17,023
	<u>\$ 352,763</u>	
Total Due To/From Other Funds		<u><u>\$ 401,914</u></u>

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

3) 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):

Transfer From	Transfer To	Amount	Purpose
Operating or Debt Subsidy:			
Zone 1	General Fund	\$ 98,007	Funded Leave Balance
Zone 2	General Fund	104,235	Funded Leave Balance
Zone 3	General Fund	33,942	Funded Leave Balance
Zone 4	General Fund	158,721	Funded Leave Balance
Zone 5	General Fund	29,903	Funded Leave Balance
Zone 6	General Fund	60,762	Funded Leave Balance
Zone 7	General Fund	61,408	Funded Leave Balance
NPDES Whitewater	General Fund	9,613	Funded Leave Balance
NPDES Santa Ana	General Fund	29,602	Funded Leave Balance
NPDES Santa Margarita	General Fund	20,945	Funded Leave Balance
Zone 4	Other Governmental Funds	2,847,100	Transfer of Cash to Process Debt Service Payment
Total Transfers		<u>\$ 3,454,238</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 the Financial Statements
For the Year Ended June 30, 2018

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Transfers and Adjustments	Ending Balance
<u>Governmental Activities:</u>					
<i>Capital Assets, Nondepreciable:</i>					
Land and Easements	\$260,211,025	\$ 5,747,581	\$ (15,571)	\$ (101)	\$ 265,942,934
Construction in Progress	54,301,812	11,930,213	-	(25,186,927)	41,045,098
Total Capital Assets, Nondepreciable	314,512,837	17,677,794	(15,571)	(25,187,028)	306,988,032
<i>Capital Assets, Depreciable</i>					
Infrastructure	811,164,898	15,998,905	-	25,186,927	852,350,730
Land Improvements	110,479	-	-	-	110,479
Buildings and Improvements	14,361,609	-	-	-	14,361,609
Equipment	16,661,051	436,665	(506,395)	-	16,591,321
Total Capital Assets, Depreciable	842,298,037	16,435,570	(506,395)	25,186,927	883,414,139
Less Accumulated Depreciation for:					
Infrastructure	(158,999,159)	(11,243,384)	-	-	(170,242,543)
Land Improvements	(27,992)	(1,395)	-	-	(29,387)
Buildings and Improvements	(5,061,949)	(282,062)	-	-	(5,344,011)
Equipment	(13,780,453)	(955,940)	504,206	-	(14,232,187)
Total Accumulated Depreciation	(177,869,553)	(12,482,781)	504,206	-	(189,848,128)
Total Capital Assets, Depreciable, Net	664,428,484	3,952,789	(2,189)	25,186,927	693,566,011
Governmental Activities Capital Assets, Net	\$978,941,321	\$ 21,630,583	\$ (17,760)	\$ (101)	\$1,000,554,043
<u>Business-type Activities:</u>					
<i>Capital Assets, Depreciable</i>					
Equipment	\$ 603,085	\$ 75,075	\$ (5,507)	\$ -	\$ 672,653
Total Capital Assets, Depreciable	603,085	75,075	(5,507)	-	672,653
Less Accumulated Depreciation for:					
Equipment	(601,882)	(5,362)	5,507	-	(601,737)
Total Accumulated Depreciation	(601,882)	(5,362)	5,507	-	(601,737)
Total Capital Assets, Depreciable, Net	1,203	69,713	-	-	70,916
Business-type Activities Capital Assets, Net	\$ 1,203	\$ 69,713	\$ -	\$ -	\$ 70,916

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

4) CAPITAL ASSETS - Continued

Internal Service Funds predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities. Capital asset activity for Internal Service Funds for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Internal Service Funds:				
<i>Capital Assets, Depreciable</i>				
Buildings and Improvements	\$ 12,181	\$ -	\$ -	\$ 12,181
Equipment	14,492,127	424,385	(489,155)	14,427,357
Total Capital Assets, Depreciable	<u>14,504,308</u>	<u>424,385</u>	<u>(489,155)</u>	<u>14,439,538</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,456)	(244)	-	(6,700)
Equipment	(11,744,354)	(895,431)	486,966	(12,152,819)
Total Accumulated Depreciation	<u>(11,750,810)</u>	<u>\$ (895,675)</u>	<u>\$ 486,966</u>	<u>(12,159,519)</u>
Internal Service Funds Capital Assets, Net	<u>\$ 2,753,498</u>	<u>\$ (471,290)</u>	<u>\$ (2,189)</u>	<u>\$ 2,280,019</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 342,327
Public Ways and Facilities	11,244,779
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.	895,675
Total Depreciation Expense - Governmental Functions	<u>\$ 12,482,781</u>

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

Other Enterprise Funds	\$ 5,362
Total Depreciation Expense - Business-type Functions	<u>\$ 5,362</u>

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, 2018, the balance of resources amounted to \$2,000,000 and is reflected in Unrestricted Net Position.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

5) LONG-TERM OBLIGATIONS

The following is a summary of long-term liability transactions for the year ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Compensated Absences	\$ 4,042,065	\$ 355,507	\$ (737,534)	\$ 3,660,038	\$ 312,962
Promissory Note	18,730,000	-	(1,980,000)	16,750,000	2,060,000
Promissory Note Premium	1,938,628	-	(242,328)	1,696,300	-
Net Pension Liabilities	53,296,107	30,779,768	(17,436,381)	66,639,494	-
Total Governmental Activities - Long-term Liabilities	<u>\$ 78,006,800</u>	<u>\$ 31,135,275</u>	<u>\$ (20,396,243)</u>	<u>\$ 78,006,800</u>	<u>\$ 2,372,962</u>
Business-type activities:					
Compensated Absences	\$ 93,306	\$ 5,889	\$ (4,762)	\$ 94,433	\$ 8,075
Net Pension Liabilities	1,805,654	1,144,225	(648,190)	2,301,689	-
Total Business-type Activities - Long-term Liabilities	<u>\$ 1,898,960</u>	<u>\$ 1,150,114</u>	<u>\$ (652,952)</u>	<u>\$ 2,396,122</u>	<u>\$ 8,075</u>

For the governmental activities, compensated absences and net pension liabilities are generally liquidated by the general fund.

Promissory Notes

On June 25, 2015, the District issued the Zone 4 2015 Negotiable Promissory Notes to fund certain flood control facilities located in Zone 4 of the District, including but not limited to construction of the Romoland MDP Lina A, Stage 4 for Zone 4 and certain expenses incidental thereto. The principal and interest on the Notes are payable from the revenues and taxes of Zone 4 ("Zone 4 Revenues"). The Notes are further secured by a first lien and specific pledge of the Zone 4 Revenues as the Zone 4 Revenues are received, except that any Zone 4 Revenues not needed for debt services on the Notes in any fiscal year will be available to the District for any lawful purpose. The Notes are not subject to optional redemption prior to maturity.

The Promissory Notes were issued in aggregate principal amount of \$21,000,000 plus an original issue premium \$2,423,284. The Notes are to be repaid at an interest rate between 2.0% and 5.0%. As of June 30, 2018, the outstanding notes payable totaled \$16,750,000 and the unamortized premium amounted to \$1,696,300.

The annual debt service repayment schedule for the Zone 4 2015 Negotiable Promissory Notes as of June 30, 2018 is as follows:

Fiscal Year (June 30)	Principal	Interest	Total
2019	\$ 2,060,000	\$ 776,000	\$ 2,836,000
2020	2,160,000	670,500	2,830,500
2021	2,270,000	559,750	2,829,750
2022	2,380,000	443,500	2,823,500
2023	2,500,000	321,500	2,821,500
2024-2025	5,380,000	257,250	5,637,250
Total	<u>\$ 16,750,000</u>	<u>\$ 3,028,500</u>	<u>\$ 19,778,500</u>

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

6) 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, medical malpractice, unemployment and workers' compensation. 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 \$500,000 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 2018 was \$507,493.

In the past three fiscal years, the District has not experienced settlements or judgements that exceeded the self-insured coverage.

7) RETIREMENT PLAN

A) Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS 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 CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. However, a report for the District's plan within CalPERS is not available.

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400P Street, Sacramento, CA 95814 or an electronic version may be obtained at CalPERS' website under Forms and Publications.

B) Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. At service retirement, a monthly allowance equal to the product of the benefit factor, years of service, and final compensation is paid to the retiree in the form of an annuity. A classic CalPERS member, an employee hired prior to January 1, 2013 becomes eligible for service retirement upon attainment of age 50 with at least 5 years of credited service with a benefit formula of 3% at 60. A classic CalPERS member, hired on or after August 23, 2012 has a modified retirement formula of 2% at 60. A PEPRA member, an employee hired after January 1, 2013, will be eligible for service retirement at age 55 with at least 5 years of service with a benefit formula of 2% at 62.

C) Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

7) RETIREMENT PLAN – Continued

C) Contribution Description – Continued

For the fiscal year ended June 30, 2018 the average active employee contribution rate is 8 percent of annual covered salary and the District's contribution rate is 9.417 percent of annual payroll. The District's contributions to CalPERS of \$4,251,610 for the fiscal year ended June 30, 2018 were equal to the District's required contributions.

D) Net Pension Liability

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 with a roll-forward adjustment to June 30, 2017.

E) Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan' Investment and Administrative Expenses; includes Inflation
Payroll Growth	3.00%
Mortality Rates	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

F) Change of Assumptions

In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

G) Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

7) RETIREMENT PLAN - Continued

G) Discount Rate – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

7) RETIREMENT PLAN - Continued

H) Net Pension Liability

The changes in the Net Pension Liability are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<u>Balance at Valuation Date of 7/1/2016:</u>	\$ 171,581,321	\$ 116,479,560	\$ 55,101,761
<i>Changes During the Measurement Period:</i>			
Service Cost	3,195,682	-	3,195,682
Interest on the Total Pension Liability	13,181,756	-	13,181,756
Changes of Assumptions	11,057,277	-	11,057,277
Differences between Expected and Actual Experience	4,317,304	-	4,317,304
Net Plan to Plan Resource Movement	-	828	(828)
Contributions from the Employer	-	3,898,709	(3,898,709)
Contributions from the Employee	-	1,343,302	(1,343,302)
Net Investment Income	-	12,841,732	(12,841,732)
Benefit Payments	(8,387,021)	(8,387,021)	-
Administrative Expense	-	(171,974)	171,974
Net Changes	<u>23,364,998</u>	<u>9,525,576</u>	<u>13,839,422</u>
<u>Balance at Measurement Date of 6/30/2017:</u>	<u>\$ 194,946,319</u>	<u>\$ 126,005,136</u>	<u>\$ 68,941,183</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percent-point higher (8.15 percent) than the current rate:

	Discount Rate – 1% (6.15 %)	Discount Rate (7.15 %)	Discount Rate + 1% (8.15 %)
Plan's Net Pension Liability/ (Asset)	\$ 95,643,116	\$ 68,941,183	\$ 46,917,279

I) Pension Plan Fiduciary Net Position

Detailed information about the CalPERS pension plan Fiduciary Net Position is available in a separately issued financial report. That report may be obtained at CalPERS' website under Forms and Publications.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

7) RETIREMENT PLAN - Continued

J) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of \$11,783,348. At June 30, 2018, the District reported deferred inflows of resources of related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 4,251,610	\$ -
Changes of Assumptions	7,985,811	(596,066)
Differences between Expected and Actual Experience	4,904,692	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,718,652	-
Total	\$ 18,860,765	\$ (\$596,066)

\$4,251,610 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$ 4,824,462
2019	6,837,075
2020	3,283,146
2021	(931,594)
2022	-
Thereafter	-
	\$ 14,013,089

K) Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

7) RETIREMENT PLAN – Continued

K) Recognition of Gains and Losses – Continued

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the June 30, 2017 measurement period is 3.6 years, which was obtained by dividing the total service years of 2,130 (the sum of remaining service lifetimes of the active employees) by 588 (the total number of participants: active, inactive, and retired).

8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A) 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. The postemployment benefit plan is an agent multiple-employer defined benefit post employment healthcare plan (OPEB Plan). 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. As of June 30, 2018, 79 District employees meet the age eligibility requirements, 68 of which will be covered upon retirement while the remaining 11 will qualify upon reaching 5 years of service. Another 79 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 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.

B) Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	226
Inactive employees or beneficiaries currently receiving benefits	32
<u>Inactive employees entitled to, but not yet receiving benefits</u>	<u>-</u>
Total	<u>258</u>

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
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8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

C) Contributions

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 - \$256, 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.

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District's contributed \$36,327 to the CERBT trust fund.

D) Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	5 Year Asset Smoothing
Discount Rate	6.12%
Investment Rate of Return	6.12%, net of OPEB plan investment expense, including inflation
Projected Salary Increases	3.00%
Retirement Age	Retirement rates developed in the 1997-2011 CalPERS Experience Study
Healthcare Cost Trend Rate	The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly benefit provided is valued using the assumption that no future increase will be granted to the amount.
Mortality	Most recent CalPERS mortality table developed in the 1997-2011 CalPERS Experience Study, with generational future improvements from 2008 using scale MP-2017
Inflation Rate	2.75%

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Range</u>
Global Equity	24%	± 2%
Global Fixed Income	39%	± 2%
Treasury Inflation-Protected Securities (TIPS)	26%	± 2%
Real Estate Investment Trusts (REITs)	8%	± 2%
Commodities	3%	± 2%

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

E) Discount Rate

The discount rate used to measure the total OPEB liability was 6.12%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F) Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
<u>Balance at Valuation Date of 7/1/2016:</u>	\$ 498,191	\$ 554,780	\$ (56,589)
<i>Changes During the Measurement Period:</i>			
Service Cost	4,411		4,411
Interest on the Total OPEB Liability	29,781		29,781
Changes of Benefit Terms			0
Difference Between Expected and Actual Experience	19,020		19,020
Changes of Assumptions	(2,438)		(2,438)
Benefits Payments	(32,456)	(32,456)	0
Contributions From the Employer			0
Net Investment Income		23,248	(23,248)
Administrative Expense		(277)	277
Net Changes	18,318	(9,485)	27,803
<u>Balance at Measurement Date of 6/30/2017:</u>	<u>\$ 516,509</u>	<u>\$ 545,295</u>	<u>\$ (28,786)</u>

G) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for the measurement period ended June 30, 2017:

	Discount Rate – 1% (5.12 %)	Discount Rate (6.12 %)	Discount Rate + 1% (7.12 %)
Net OPEB Liability/ (Asset)	\$ 27,118	\$ (28,786)	\$ (76,026)

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for the measurement period ended June 30, 2017:

	Trend Rate – 1%	Trend Rate	Trend Rate + 1%
Net OPEB Liability/ (Asset)	\$ (28,786)	\$ (28,786)	\$ (28,786)

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

8) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

H) OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available financial report that may be obtained from the from the CalPERS Executive Office - 400P Street, Sacramento, CA 95814 or an electronic version may be obtained at CalPERS' website under Forms and Publications.

I) Recognition of Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2018, the District recognized OPEB expense/ (income) of \$(5,464). At June 30, 2018, the District reported deferred inflows of resources of related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 16,720	\$ -
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	7,762	-
Assumption Changes	-	(2,143)
Contributions Made After Measurement Date	36,327	-
Total	\$ 60,809	\$ (2,143)

\$36,327 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction to the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$ 3,946
2019	3,946
2020	3,946
2021	3,944
2022	2,005
Thereafter	4,552
	<u>\$ 22,339</u>

9) 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 \$8,254,102.

10) UNRESTRICTED NET POSITION DEFICIT

GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, requires the reporting of the District's unfunded pension liability resulting in the government-wide financial statements reporting a deficit unrestricted net position of \$42,012,466 for the year ended June 30, 2018.

Riverside County Flood Control and Water Conservation District
Notes to the Financial Statements
For the Year Ended June 30, 2018

11) PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$608,686 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect costs related to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Of the \$608,686 adjustment, \$56,589 is related to the net OPEB asset and \$665,275 is related to removing the net OPEB asset originally reported in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

REQUIRED SUPPLEMENTARY INFORMATION



Eagle Canyon Dam (Back Basin) after a storm (September 2017)

CONTENTS

- ◆ *Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Plan Contributions of Retirement Program, and Schedule of Funding Progress of OPEB*
- ◆ *Notes to the Required Supplementary Information*
- ◆ *Budgetary Comparison Schedules:*
 - ⇒ *General Fund*
 - ⇒ *Special Revenue Funds*

Riverside County Flood Control and Water Conservation District
Schedule of Required Supplementary Information
For the Year Ended June 30, 2018

*Schedule of Changes in Net Pension Liability and Related Ratios
During the Measurement Period – Retirement Program*

Measurement Period ¹	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service Cost	\$ 3,195,682	\$ 2,736,183	\$ 2,605,929	\$ 2,658,904
Interest on Total Pension Liability	13,181,756	12,355,012	11,562,462	10,888,518
Changes of Assumptions ²	11,057,277	-	1,641,380	-
Difference Between Expected and Actual Experience	4,317,304	3,136,481	(2,831,312)	-
Benefit Payments, Including Refunds of Employee Contributions	(8,387,021)	(7,290,390)	(6,729,370)	(6,006,531)
Net Change in Total Pension Liability	\$ 23,364,998	\$ 10,937,286	\$ 6,249,089	\$ 7,540,891
Total Pension Liability – Beginning	171,581,321	160,644,035	154,394,946	146,854,055
Total Pension Liability – Ending (a)	\$ 194,946,319	\$ 171,581,321	\$ 160,644,035	\$ 154,394,946
PLAN FIDUCIARY NET POSITION				
Contributions – Employer	\$ 3,898,709	\$ 3,444,770	\$ 2,917,761	\$ 2,792,524
Contributions – Employee	1,343,302	1,355,866	1,276,885	1,393,782
Net Investment Income	12,841,732	665,782	2,659,895	17,670,115
Benefit Payments, Including Refunds of Employee Contributions	(8,387,021)	(7,290,390)	(6,729,370)	(6,006,531)
Net Plan to Plan Resource Movement	828	-	-	-
Administrative Expense	(171,974)	(72,144)	(133,244)	-
Net Change in Fiduciary Net Position	\$ 9,525,576	\$ (1,896,116)	\$ (8,073)	\$ 15,849,890
Plan Fiduciary Net Position – Beginning	\$ 116,479,560	\$ 118,375,676	\$ 118,383,749	\$ 102,533,859
Plan Fiduciary Net Position – Ending (b)	126,005,136	116,479,560	118,375,676	118,383,749
Plan Net Pension Liability/(Asset) – Ending (a) - (b)	\$ 68,941,183	\$ 55,101,761	\$ 42,268,359	\$ 36,011,197
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.64%	67.89%	73.69%	76.68%
Covered Payroll	\$ 17,427,507	\$ 16,643,449	\$ 15,837,660	\$ 15,385,395
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	395.59%	331.07%	266.89%	234.06%

Schedule of Plan Contributions – Retirement Program

Fiscal Year End ¹	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 4,251,610	\$ 3,898,709	\$ 3,444,770	\$ 2,917,761	\$ 2,792,524
Contributions in Relation to the Actuarially Determined Contribution	(4,251,610)	(3,898,709)	(3,444,770)	(2,917,761)	(2,792,524)
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ³	\$ 17,544,635	\$ 17,427,507	\$ 16,643,449	\$ 15,837,660	\$ 15,385,395
Contributions as a Percentage of Covered Payroll	24.23%	22.37%	20.70%	18.42%	18.15%

¹ Historical information is presented only for measurement periods for which GASB Statement No. 68 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which GASB 68 is applicable.

² In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, the amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent. In 2014, amounts reported were based on the 7.5 percent discount rate.

³ Includes one year's payroll growth using 3.00 percent payroll assumption.

Riverside County Flood Control and Water Conservation District
Schedule of Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Changes in Net OPEB Liability and Related Ratios

Measurement Period	<u>2017</u>
TOTAL OPEB LIABILITY	
Service Cost	\$ 4,411
Interest on Total OPEB Liability	29,781
Difference Between Expected and Actual Experience	19,020
Changes of Assumptions	(2,438)
Benefit Payments, Including Refunds of Employee Contributions	<u>(32,456)</u>
Net Change in Total OPEB Liability	\$ 18,318
Total OPEB Liability – Beginning	<u>498,191</u>
Total OPEB Liability – Ending (a)	<u>\$ 516,509</u>
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	\$ -
Contributions – Employee	-
Net Investment Income	23,248
Benefit Payments, Including Refunds of Employee Contributions	(32,456)
Administrative Expense	(277)
Net Change in Fiduciary Net Position	<u>\$ (9,485)</u>
Plan Fiduciary Net Position – Beginning	\$ 554,780
Plan Fiduciary Net Position – Ending (b)	545,295
Plan Net OPEB Liability/(Asset) – Ending (a) - (b)	<u>\$ (28,786)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.57%
Covered Payroll	\$ 17,544,635
Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	-0.16%

Notes to Schedule:

Historical information is presented only for measurement periods for which GASB Statement No. 75 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which GASB 75 is applicable.

Changes in assumptions: Mortality assumptions were revised to reflect newly released Society of Actuaries future improvement scale, MP-2017.

Riverside County Flood Control and Water Conservation District
Schedule of Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of OPEB Plan Contributions

Fiscal Year End	2018	2017
Actuarially Determined Contribution	\$ -	\$ 2,000
Contributions in Relation to the Actuarially Determined Contribution	(36,327)	-
Contribution Deficiency / (Excess)	\$ (36,327)	\$ (2,000)
Covered Payroll	\$ 17,544,635	\$ 17,427,507
Contributions as a Percentage of Covered Payroll	0.21%	0.00%

Notes to Schedule:

Historical information is presented only for measurement periods for which GASB Statement No. 75 is applicable. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information will be presented for those years for which GASB 75 is applicable.

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal with period amortization of 7/1/2017 unfunded liability over a period ending 6/30/2037 and amortization of subsequent unanticipated changes in unfunded liability over a 15-year period from date established.
Asset Valuation Method	5 Year Asset Smoothing
Salary Increases	3.00%
Investment Rate of Return	6.12%, net of OPEB plan investment expense, including inflation.
Retirement Age	Retirement rates developed in the 1997-2011 CalPERS Experience Study
Mortality	Most recent CalPERS mortality table developed in the 1997-2011 Cal PERS Experience Study, with generational future improvements from 2008 using scale MP-2017.

**Riverside County Flood Control and Water Conservation District
Notes to Required Supplemental Information**

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 3,589,029	\$ 3,589,029	\$ 3,873,346	\$ 284,317
Redevelopment Pass-thru	554,192	554,192	722,194	168,002
Intergovernmental	49,830	49,830	41,730	(8,100)
Charges for Services	980,200	980,200	915,483	(64,717)
Charges for Administrative Services	8,000	8,000	-	(8,000)
Investment Earnings	20,000	20,000	43,339	23,339
Total Revenues	<u>5,201,251</u>	<u>5,201,251</u>	<u>5,596,092</u>	<u>394,841</u>
EXPENDITURES				
General Government	5,207,176	5,367,176	5,586,934	(219,758)
Capital Outlay	1,278,252	1,118,252	12,280	1,105,972
Total Expenditures	<u>6,485,428</u>	<u>6,485,428</u>	<u>5,599,214</u>	<u>886,214</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,284,177)</u>	<u>(1,284,177)</u>	<u>(3,122)</u>	<u>1,281,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,530,612	1,530,612	607,138	(923,474)
Transfers Out	(401,000)	(401,000)	-	401,000
Total Other Financing Sources (Uses)	<u>1,129,612</u>	<u>1,129,612</u>	<u>607,138</u>	<u>(522,474)</u>
Net Change in Fund Balance	(154,565)	(154,565)	604,016	758,581
Fund Balance, Beginning of Year	4,587,417	4,587,417	2,924,151	(1,663,266)
Fund Balance, End of Year	<u>\$ 4,432,852</u>	<u>\$ 4,432,852</u>	<u>\$ 3,528,167</u>	<u>\$ (904,685)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 8,062,451	\$ 8,062,451	\$ 8,210,048	\$ 147,597
Redevelopment Pass-thru	1,788,518	1,788,518	2,739,742	951,224
Intergovernmental	83,490	83,490	94,770	11,280
Charges for Services	12,750	12,750	8,022	(4,728)
Area Drainage Fees	5,000	5,000	497,122	492,122
Investment Earnings	162,400	162,400	256,394	93,994
Use of Assets	148,000	148,000	150,961	2,961
Total Revenues	10,262,609	10,262,609	11,957,059	1,694,450
EXPENDITURES				
Public Ways and Facilities	9,092,864	9,092,864	6,045,599	3,047,265
Capital Outlay	3,451,024	3,451,024	2,832,316	618,708
Total Expenditures	12,543,888	12,543,888	8,877,915	3,665,973
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,281,279)	(2,281,279)	3,079,144	5,360,423
OTHER FINANCING SOURCES (USES)				
Transfers In	19,443	19,443	-	(19,443)
Transfers Out	(293,539)	(293,539)	(98,007)	195,532
Total Other Financing Sources (Uses)	(274,096)	(274,096)	(98,007)	176,089
Net Change in Fund Balance	(2,555,375)	(2,555,375)	2,981,137	5,536,512
Fund Balance, Beginning of Year	25,056,701	25,056,701	27,380,893	2,324,192
Fund Balance, End of Year	<u>\$ 22,501,326</u>	<u>\$ 22,501,326</u>	<u>\$ 30,362,030</u>	<u>\$ 7,860,704</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 2
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 14,214,754	\$ 14,214,754	\$ 14,434,288	\$ 219,534
Redevelopment Pass-thru	2,664,681	2,664,681	2,106,379	(558,302)
Intergovernmental	153,393	153,393	192,657	39,264
Charges for Services	1,500	1,500	12,773	11,273
Area Drainage Fees	20,000	20,000	631,666	611,666
Investment Earnings	456,750	456,750	741,887	285,137
Use of Assets	100	100	-	(100)
Total Revenues	17,511,178	17,511,178	18,119,650	608,472
EXPENDITURES				
Public Ways and Facilities	22,727,214	22,727,214	14,331,565	8,395,649
Capital Outlay	10,635,481	10,635,481	275,552	10,359,929
Total Expenditures	33,362,695	33,362,695	14,607,117	18,755,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,851,517)</u>	<u>(15,851,517)</u>	<u>3,512,533</u>	<u>19,364,050</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	850,000	850,000	-	(850,000)
Transfers Out	(454,749)	(454,749)	(104,235)	350,514
Total Other Financing Sources (Uses)	395,251	395,251	(104,235)	(499,486)
Net Change in Fund Balance	(15,456,266)	(15,456,266)	3,408,298	18,864,564
Fund Balance, Beginning of Year	<u>78,575,772</u>	<u>78,575,772</u>	<u>77,881,515</u>	<u>(694,257)</u>
Fund Balance, End of Year	<u>\$ 63,119,506</u>	<u>\$ 63,119,506</u>	<u>\$ 81,289,813</u>	<u>\$ 18,170,307</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 3
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 1,899,927	\$ 1,899,927	\$ 1,914,111	\$ 14,184
Special Assessments	-	-	1,002	1,002
Redevelopment Pass-thru	685,067	685,067	821,930	136,863
Intergovernmental	120,335	120,335	22,239	(98,096)
Charges for Services	195	195	5,790	5,595
Investment Earnings	71,050	71,050	199,261	128,211
Total Revenues	2,776,574	2,776,574	2,964,333	187,759
EXPENDITURES				
Public Ways and Facilities	4,028,900	3,753,900	2,905,260	848,640
Capital Outlay	879,612	1,154,612	365,600	789,012
Total Expenditures	4,908,512	4,908,512	3,270,860	1,637,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,131,938)	(2,131,938)	(306,527)	1,825,411
OTHER FINANCING SOURCES (USES)				
Transfers In	22,545	22,545	-	(22,545)
Transfers Out	(111,975)	(111,975)	(33,942)	78,033
Total Other Financing Sources (Uses)	(89,430)	(89,430)	(33,942)	55,488
Net Change in Fund Balance	(2,221,368)	(2,221,368)	(340,469)	1,880,899
Fund Balance, Beginning of Year	11,522,371	11,522,371	11,463,366	(59,005)
Fund Balance, End of Year	<u>\$ 9,301,003</u>	<u>\$ 9,301,003</u>	<u>\$ 11,122,897</u>	<u>\$ 1,821,894</u>

Riverside County Flood Control and Water Conservation District
Budgetary Comparison Schedule
Special Revenue Fund - Zone 4
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 14,466,289	\$ 14,466,289	\$ 15,097,048	\$ 630,759
Redevelopment Pass-thru	2,011,634	2,011,634	2,525,700	514,066
Intergovernmental	664,463	664,463	374,328	(290,135)
Charges for Services	7,000	7,000	9,347	2,347
Area Drainage Fees	100,000	100,000	1,369,393	1,269,393
Investment Earnings	295,350	295,350	433,845	138,495
Use of Assets	7,800	7,800	627,800	620,000
Total Revenues	17,552,536	17,552,536	20,437,461	2,884,925
EXPENDITURES				
Public Ways and Facilities	18,482,820	18,282,820	11,613,225	6,669,595
Capital Outlay	25,354,067	22,706,967	6,662,422	16,044,545
Total Expenditures	43,836,887	40,989,787	18,275,647	22,714,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,284,351)	(23,437,251)	2,161,814	25,599,065
OTHER FINANCING SOURCES (USES)				
Transfers In	852,855	852,855	-	(852,855)
Transfers Out	(1,913,183)	(4,760,283)	(3,005,821)	1,754,462
Total Other Financing Sources (Uses)	(1,060,328)	(3,907,428)	(3,005,821)	901,607
Net Change in Fund Balance	(27,344,679)	(27,344,679)	(844,007)	26,500,672
Fund Balance, Beginning of Year	45,437,323	45,437,323	44,633,138	(804,185)
Fund Balance, End of Year	<u>\$ 18,092,644</u>	<u>\$ 18,092,644</u>	<u>\$ 43,789,131</u>	<u>\$ 25,696,487</u>