

**RIVERSIDE COUNTY REGIONAL PARK  
AND OPEN-SPACE DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2012**



# **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

*For the Fiscal Year Ended June 30, 2012*

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## ***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Riverside County Regional Park and Open-Space District  
Riverside, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside County Regional Park and Open-Space District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Riverside County Regional Park and Open-Space District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside County Regional Park and Open-Space District as of June 30, 2012 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of Riverside County Regional Park and Open-Space District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information and schedule of funding progress on pages 35 through 37 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.

*Nigro & Nigro, PC*

December 20, 2012

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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This discussion and analysis of Riverside County Regional Park and Open-Space District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the current fiscal year by \$97,879,135. Of this amount, \$8,596,475 may be used to meet the District's ongoing obligations.
- The District's financial status decreased overall as a result of this year's operations. Net assets of governmental activities decreased by \$2.1 million, or 2.1%.
- Governmental expenses were about \$15.3 million. Revenues were about \$13.2 million.
- The District spent about \$1.2 million in new capital assets during the year. These expenditures were incurred primarily from capital project funds.
- The District increased its outstanding long-term debt by \$0.2 million. This was due to additions to compensated absences.
- Unassigned fund balance in the District's General Fund represents 27% of total general fund expenditures.

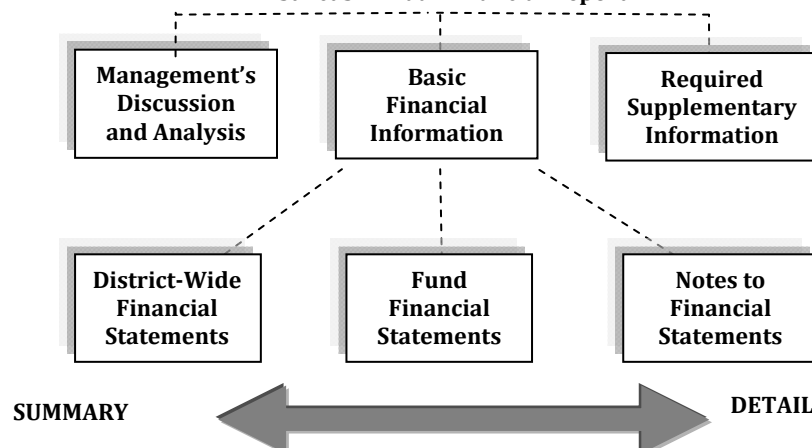
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like parks and recreation were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**Figure A-1. Organization of Riverside County Regional Park and Open-Space District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as building maintenance	Instances in which the district administers resources on behalf of someone else
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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#### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

##### **District-Wide Statements (continued)**

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of park locations and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as park maintenance, acquisition, preservation, and administration. Property taxes, grants and fees finance most of these activities.

##### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them. The District maintains thirteen 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 five other governmental funds that are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation.
- 2) **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the Historical Commission and Iodine Springs funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.



## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2012

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#### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Assets.** The District's combined net assets were lower on June 30, 2012, than they were the year before – decreasing 2.1% to \$97.9 million. (See Table A-1.)

**Table A-1**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2011*	2012	
Current and other assets	\$ 23.0	\$ 21.1	\$ (1.9)
Capital assets	80.5	80.5	(0.0)
Total assets	103.5	101.6	(1.9)
Other liabilities	1.1	1.1	(0.0)
Long-term liabilities	2.4	2.6	0.2
Total liabilities	3.5	3.7	0.2
Net assets			
Invested in capital assets, net of related debt	80.5	80.5	0.0
Restricted	10.2	8.8	(1.4)
Unrestricted	9.3	8.6	(0.7)
Total net assets	\$ 100.0	\$ 97.9	\$ (2.1)

\*As restated

**Changes in net assets, governmental activities.** The District's total revenues decreased 32% to \$13.2 million (See Table A-2). The decrease is due primarily to reduced intergovernmental revenues in capital projects funds.

The total cost of all programs and services increased 19% to \$15.3 million. The District's expenses are predominantly related to acquiring and maintaining regional parks in the County.

**Table A-2**

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2011	2012	
Total Revenues	\$ 19.3	\$ 13.2	\$ (6.1)
Total Expenses	12.9	15.3	2.4
Increase (decrease) in net assets	\$ 6.4	\$ (2.1)	\$ (8.5)

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$19.7 million, which is below last year's ending fund balance of \$21.6 million. The primary cause of the decreased fund balance is planned deficit spending in the General Fund.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated revenues would fall short of expenditures by about \$2.1 million, the actual results for the year show that revenues fell short of expenditures by roughly \$0.7 million. Actual revenues were \$0.7 million more than anticipated, and expenditures were \$0.7 million less than budgeted. That amount consists primarily of restricted program dollars and capital outlay costs that were not spent as of June 30, 2012 that will be carried over into the 2012-13 budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of 2011-12 the District had invested \$1.2 million in new capital assets, related to the District's ongoing capital improvement program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$1.2 million.

**Table A-3: Capital Assets at Year-End, net of depreciation**

	Governmental Activities (In millions)		Variance
	2011*	2012	Increase (Decrease)
Land	\$ 28.3	\$ 28.3	\$ -
Construction in progress	8.3	3.2	(5.1)
Buildings	35.2	39.7	4.5
Machinery and equipment	1.0	0.7	(0.3)
Infrastructure	7.7	8.6	0.9
Total	<u>\$ 80.5</u>	<u>\$ 80.5</u>	<u>\$ -</u>

\*As restated

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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#### CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

##### Long-Term Debt

At year-end the District had \$2.6 million in compensated absences and claims and judgments payable – an increase of 7.2% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Table A-4: Outstanding Long-Term Debt at Year-End**

	Governmental Activities (In millions)		Variance
	2011	2012	Increase (Decrease)
Compensated Absences	\$ 1.4	\$ 1.6	\$ 0.2
Claims and Judgments	1.0	1.0	-
Total	<u>\$ 2.4</u>	<u>\$ 2.6</u>	<u>\$ 0.2</u>

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

There are deep traditions within the Riverside County Regional Park and Open-Space District to provide natural, cultural, historical, and recreational opportunities to our community. While we appreciate, respect, and honor those traditions, the current economic reality we face has caused increased costs for services and an unsustainable budget model. Although we are not immune to recent economic challenges, we are committed to maintaining productivity and core service levels. Fiscal year 2011-12 marks the second year of the District's 5-year Strategic Plan, which looks to re-shape the District's direction to provide sustainability and a results-oriented budget.

In FY11-12, the District's budget was reorganized into a Program Budget. Seven major programs were built to encompass every District activity. Revenues were assigned specifically to the programs that earn them, providing a more accurate picture of each activity's true revenue potential. The same was done with expenditures, and overhead costs were distributed to each program on a fair and equitable basis. What we learned in this process proved invaluable and assists us in providing useful quantitative information that openly identifies per-participant expenditure rates for analysis.

In FY12-13, the District will build upon previous efforts by initiating a service assessment to review current cost recovery and subsidy allocations for every program and activity. Cost recovery is the degree to which the operational and maintenance costs of a service are financially supported by user fees and/or applicable funding mechanisms such as grants, partnerships, donations, sponsorships, volunteers or other alternative funding sources. In contrast, subsidies will account for property tax revenue and contributions from the County's General Fund (Net County Cost (NCC)) necessary to fully cover the cost of a program/activity.

In order to control operational costs, help support current staff, and complete a Strategic Plan recommendation, we will kick volunteer support efforts into full gear. In FY12-13 tactics and budget allocations are properly identified to ensure that the volunteer management plan is implemented with purpose and revisited on a regular basis. A major emphasis will be placed on recruitment, on-boarding, and training. Additionally, a new staff position will be created which will transform the program from an afterthought to a core service that deserves and demands proper resources and attention.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

The District continues to maintain a lean management structure while growing the agency with part time and specialized positions. Recently, the District reorganized the executive management team by eliminating an Assistant Park Director position and replacing it with a Bureau Chief position responsible for Natural, Cultural and Historical resources. To provide proper oversight to the Parks Division, a Park Superintendent position will be added and report directly to the Chief of Park and Recreation. To ensure that span of control remains manageable, other organizational adjustments will be implemented throughout the fiscal year.

To ensure that the District maintains its competitive advantage, we continually look at core services to assess whether the programs we provide produce intended results. Moreover, the District remains committed to a process of benchmarking against neighboring counties and best in class systems throughout the nation. The most recent review provided an honest and straightforward self-evaluation in comparing identified operating metrics to comparable systems. Based on the benchmark report, the District continues to lead other counties in:

- Total park acres per 1,000 population
- Cost recovery from non-general fund and non-tax revenues
- FTEs per 1,000 population (ranked in lower end of comparative agencies)

Building upon our efforts to become a best in class agency is the time-consuming journey of accreditation through the Commission for Accreditation of Park and Recreation Agencies (CAPRA), which is part of the National Recreation and Park Association (NRPA). It's no wonder that only one County park system in California has obtained accreditation to date; preparation is difficult and tedious, often shining a light on major gaps in policies, procedures, and planning efforts. However, this process has brought team members together in ways never thought possible. The final outcome will be a system built on industry-leading standards, which will result in high quality, effective, and efficient services, programs, and facilities.

Many challenges still remain. The FY12-13 budget includes another NCC reduction of 28%, resulting in a cumulative total reduction of 65% since the belt-tightening began in FY08-09. The impacts associated with these reductions are fewer staff and operating hours at selected sites, the elimination of in-house Graphical Information Systems (GIS) services, reduction in historic preservation and interpretation, reduction in trails maintenance, and reductions in business operations.

In addition to NCC reductions, property tax fluctuations continue to impact our ability to provide core services. Based on the latest projections, it is anticipated that assessed valuation could drop by 1 percent or more, reducing the District's share of this discretionary revenue source by at least \$300K. Property tax has continued to decline from a high of \$5.351 in FY 2008 to \$3.96M in FY 2012. Declines in other revenue sources such as interest earnings and grants also pose a threat, as do unanticipated impacts from higher utility rates and any effects of the state budget debacle. If any of these scenarios materialize, we will need further budget reductions immediately.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2012*

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

While the District is faced with several significant issues, it is our tradition of fiscal conservatism, combined with cost-saving measures, operating efficiencies, innovative ideas, and a willingness to explore options, that has provided us with a strong financial foundation. The District will continue to provide the same high level of service that county residents expect, while protecting the District's future financial health.

The District has taken steps to address the impacts of a weak economy over the past four years by increasing revenues, lowering expenses, and utilizing reserves. Many difficult decisions have been made; however, many still lie ahead. Current economic conditions, challenges in finding capital, and unfunded maintenance issues are stressing the organization at the same time that increased employee engagement, stronger customer relationships, and deeper organizational expertise is taking place. To use an analogy, we are basically changing the engine while we keep the car running.

Moving forward, it is important that we continue reinforcing the "New District" culture in order to maintain our competitive advantage. As new programs and services are contemplated, we must continue to ask the tough questions: is this something we should be doing, and can someone else do this better? The District is beginning to see many more requests for service, as other providers are shedding such programs in order to balance their books. Rather than accede to qualitative pressures, the District must continue adhering to quantitative risk analysis in all future decisions. Put simply, the District simply cannot afford to add any new facilities or programs without identifying sustainable revenue streams or eliminating existing programs. We must also keep an open mind regarding alternative means of reaching the goals we have established while still staying the course in completing the Strategic Plan tactics. This level of discipline will ensure that our existing success is not jeopardized as we advance our strategic purpose.

All of these factors were considered in preparing the Riverside County Regional Park and Open-Space District budget for the 2012-13 fiscal year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief of Business Operations, 4600 Crestmore Road, Jurupa Valley, CA 92509-6858.

**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Statement of Net Assets**June 30, 2012*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 19,613,642
Accounts receivable	298,829
Due from other governments	929,942
Total current assets	<u>20,842,413</u>
<b>Non-current assets:</b>	
Net OPEB asset	<u>277,497</u>
Total non-current assets	<u>277,497</u>
<b>Capital assets:</b>	
Non-depreciable assets	31,421,023
Depreciable assets	62,575,315
Less accumulated depreciation	<u>(13,522,006)</u>
Total capital assets	<u>80,474,332</u>
 Total assets	 <u>101,594,242</u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	777,161
Due to other government agencies	5,313
Deferred revenues	<u>360,223</u>
Total current liabilities	<u>1,142,697</u>
<b>Long-term liabilities:</b>	
Due within one year	283,034
Due after one year	<u>2,289,376</u>
Total long-term liabilities	<u>2,572,410</u>
 Total liabilities	 <u>3,715,107</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	80,474,332
Restricted for capital projects	8,808,328
Unrestricted	<u>8,596,475</u>
 Total net assets	 <u>\$ 97,879,135</u>

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Interpretive	\$ 1,153,437	\$ -	\$ -	\$ (1,153,437)
Natural Resources	2,988,215	2,064,269	-	(923,946)
Parks	3,207,387	1,963	68,639	(3,136,785)
Recreation	2,388,614	1,447,533	-	(941,081)
General Government	4,363,898	4,748,114	-	384,216
Depreciation (unallocated)	1,202,084	-	-	(1,202,084)
Total governmental activities	\$ 15,303,635	\$ 8,261,879	\$ 68,639	(6,973,117)
General Revenues:				
Property Taxes				4,156,990
Revenue From Use of Money and Property				87,352
Intergovernmental Revenues				664,134
Total general revenues				4,908,476
Change in net assets				(2,064,641)
Net assets - June 30, 2011, as originally stated				100,262,091
Adjustment for restatement (Note 12)				(318,315)
Net assets, June 30, 2011, as restated				99,943,776
Net assets - June 30, 2012				\$ 97,879,135

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Balance Sheet – Governmental Funds

June 30, 2012

	General Fund	Santa Ana River Mitigation Fund	West Co Park DIF Fund	SAR Park Prado Dam Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 3,625,453	\$ 4,053,708	\$ 470,779	\$ 2,920,457	\$ 8,543,245	\$ 19,613,642
Accounts Receivable	290,983	2,032	236	1,462	4,116	298,829
Due From Other Governments	42,020	-	733,259	-	154,663	929,942
Due From Other Funds	1,300,000	-	-	-	200,000	1,500,000
Total Assets	<u>\$ 5,258,456</u>	<u>\$ 4,055,740</u>	<u>\$ 1,204,274</u>	<u>\$ 2,921,919</u>	<u>\$ 8,902,024</u>	<u>\$ 22,342,413</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 322,787	\$ 1,857	\$ 515	\$ -	\$ 30,792	\$ 355,951
Salaries and Benefits Payable	375,820	-	-	-	45,390	421,210
Due to Other Governmental Agencies	5,206	-	-	-	107	5,313
Due to Other Funds	-	-	1,200,000	-	300,000	1,500,000
Customer Deposits	7,900	-	-	-	-	7,900
Deferred Revenue	352,323	-	-	-	-	352,323
Total Liabilities	<u>1,064,036</u>	<u>1,857</u>	<u>1,200,515</u>	<u>-</u>	<u>376,289</u>	<u>2,642,697</u>
<b>Fund Balances</b>						
Nonspendable	5,000	-	-	-	-	5,000
Restricted	-	-	3,759	2,921,919	5,882,650	8,808,328
Assigned	1,449,227	4,053,883	-	-	1,797,808	7,300,918
Unassigned	2,740,193	-	-	-	845,277	3,585,470
Total Fund Balances	<u>4,194,420</u>	<u>4,053,883</u>	<u>3,759</u>	<u>2,921,919</u>	<u>8,525,735</u>	<u>19,699,716</u>
Total Liabilities and Fund Balances	<u>\$ 5,258,456</u>	<u>\$ 4,055,740</u>	<u>\$ 1,204,274</u>	<u>\$ 2,921,919</u>	<u>\$ 8,902,024</u>	<u>\$ 22,342,413</u>

The notes to financial statements are an integral part of this statement.



**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**June 30, 2012*

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**Total fund balances - governmental funds** \$ 19,699,716

Capital assets used in governmental *activities* are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$93,996,338, and the accumulated depreciation is (\$13,522,006).

80,474,332

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:

277,497

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences payable 1,572,410

Claims and judgments payable 1,000,000

(2,572,410)

**Total net assets - governmental activities**

\$ 97,879,135

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2012

	General Fund	Santa Ana River Mitigation Fund	West Co Park DIF Fund	SAR Park Prado Dam Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
General Revenues:						
Property taxes	\$ 4,156,990	\$ -	\$ -	\$ -	\$ -	\$ 4,156,990
Revenue From Use of Money and property	15,442	17,992	2,257	12,874	38,787	87,352
Intergovernmental Revenues	639,140	-	-	-	24,994	664,134
Charges for Services	6,200,494	449	-	-	2,060,936	8,261,879
Operating Grants and Contributions	68,639	-	-	-	-	68,639
Total revenues	11,080,705	18,441	2,257	12,874	2,124,717	13,238,994
<b>Expenditures</b>						
Interpretive	1,119,073	-	-	-	34,364	1,153,437
Natural Resources	121,370	51,071	-	-	1,350,874	1,523,315
Parks	4,263,837	-	-	-	-	4,263,837
Planning and Construction	263,626	-	100,357	-	1,100,917	1,464,900
Recreation	2,388,614	-	-	-	-	2,388,614
General Government	4,359,398	-	-	-	4,500	4,363,898
Total expenditures	12,515,918	51,071	100,357	-	2,490,655	15,158,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,435,213)	(32,630)	(98,100)	12,874	(365,938)	(1,919,007)
<b>Other Financing Sources (Uses)</b>						
Interfund transfers in	120,610	-	-	-	-	120,610
Interfund transfers out	-	-	-	-	(120,610)	(120,610)
Total Other Financing Sources and Uses	120,610	-	-	-	(120,610)	-
Net Change in Fund Balances	(1,314,603)	(32,630)	(98,100)	12,874	(486,548)	(1,919,007)
Fund Balances - June 30, 2011	5,509,023	4,086,513	101,859	2,909,045	9,012,283	21,618,723
Fund Balances, June 30, 2012	\$ 4,194,420	\$ 4,053,883	\$ 3,759	\$ 2,921,919	\$ 8,525,735	\$ 19,699,716

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2012*

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**Total net change in fund balances - governmental funds** \$ (1,919,007)

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	1,197,470	
Depreciation expense	<u>(1,202,084)</u>	
Net:		(4,614)

In governmental funds, postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The increase in the net OPEB asset at the end of the period was: 6,497

In the statements of activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave earned exceeded the amounts paid by: (147,517)

**Change in net assets of governmental activities** \$ (2,064,641)

**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Statement of Net Assets – Fiduciary Funds**June 30, 2012*

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	<b>Trust Funds</b>		<b>Total</b>
	<b>Historical Commission Fund</b>	<b>Iodine Springs Fund</b>	
<b>ASSETS</b>			
Cash	\$ 26,854	\$ 474,297	\$ 501,151
Accounts receivable	13	238	251
Total assets	<u>26,867</u>	<u>474,535</u>	<u>501,402</u>
<b>LIABILITIES</b>			
Accounts payable	<u>776</u>	<u>-</u>	<u>776</u>
<b>NET ASSETS</b>			
Restricted	<u>\$ 26,091</u>	<u>\$ 474,535</u>	<u>\$ 500,626</u>

**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Statement of Changes in Net Assets – Fiduciary Funds**For the Fiscal Year Ended June 30, 2012*

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	<b>Trust Funds</b>		
	<b>Historical Commission Fund</b>	<b>Iodine Springs Fund</b>	<b>Total</b>
<b>ADDITIONS</b>			
Other local revenue	\$ 766	\$ -	\$ 766
Revenue from the use of money and property	119	2,091	2,210
Total additions	885	2,091	2,976
<b>DEDUCTIONS</b>			
Administrative expenses	1,783	-	1,783
Change in net assets	(898)	2,091	1,193
Net assets, June 30, 2011	26,989	472,444	499,433
Net assets, June 30, 2012	<u>\$ 26,091</u>	<u>\$ 474,535</u>	<u>\$ 500,626</u>

# **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

## *Notes to Financial Statements*

*June 30, 2012*

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### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Accounting Policies**

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### **B. Reporting Entity**

The District was formed July 1, 1991 for the purpose of preserving, protecting and maintaining open space and wildlife habitat and providing and maintaining regional parks and public recreation facilities under Public Resources Code 5506.7 et seq. District Directors consist of the Board of Supervisors of the County of Riverside. The District is a component unit of the County of Riverside.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

#### **C. Basis of Presentation**

##### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the district, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Notes to Financial Statements*

*June 30, 2012*

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#### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **C. Basis of Presentation (continued)**

###### **Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each of the major governmental funds are presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

##### **D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

###### **Revenues – exchange and non-exchange transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essential equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

###### **Deferred Revenue**

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period would be recorded as deferred revenue.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### D. Basis of Accounting (continued)

###### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. As under the accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

##### E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

###### Governmental Fund Type Definitions

Governmental fund types include the General Fund, Special Revenue Funds, and Capital Projects Funds.

**General Fund:** This fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Funds:** These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. The restricted or committed proceeds of specific revenue sources are expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specific purpose of the fund.

**Capital Projects Funds:** These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

###### Major Governmental Funds:

The District maintains the following major governmental funds:

**General Fund:** This fund is used to account for and report all financial resources not accounted for and reported in another fund. Under GASB 54 the following funds no longer meet the criteria to be considered special revenue funds as they are not composed primarily of restricted or committed revenue sources. These funds are the Recreation, Park Residence Utilities, Habitat/Open Space Management, and Natural Resources Education Funds, and the activity in those funds is being reported in the General Fund.



## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Notes to Financial Statements*

*June 30, 2012*

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### E. Fund Accounting (continued)

**Santa Ana River Mitigation Fund:** This fund is used to account for activities related to the Santa Ana Mitigation Bank project.

**West Co. Park DIF Fund:** This fund is used to account for Development Impact Fees, proceeds and expenditures for the expansion of park facilities in the Western County.

**SAR Parkway Prado Dam Trail Fund:** This fund is used to account for trail project expenditures.

##### **Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

##### **Special Revenue Funds:**

**Fish and Game Commission Fund:** To account for activities related to the protection, education, conservation, propagation and preservation of fish and wildlife.

**Arundo Removal Fund:** To account for activities to remove and control *Arundo Donax*, as well as Interpretive Education regarding habitat and native vegetation, and maintaining trails and outdoor facilities in sensitive areas along the Santa Ana River.

**Off Road Vehicle Management Fund:** Used for repair of and restriction to sensitive open space areas owned by the District and those damaged by unauthorized off road vehicles and trash dumping.

**Multi-Species Reserve Fund:** To account for activities performed under contract with Municipal Water District to provide reserve management services.

**MSHCP Reserve Management Fund:** To account for activities performed under contract with Western Riverside County Regional Conservation Authority to provide reserve management services.

##### **Capital Projects Funds:**

**East Co Park DIF Fund:** To account for developer impact fees and to provide for expansion of park facilities in the Eastern County.

**Park Acquisition ACO Fund:** This fund is used to account for proceeds and expenditures related to Proposition 84.

**Park Acquisition and Development Fund:** To account for capital improvements for major parks and open space areas countywide as designated by the Board of Supervisors.

**Trails West Co. Park DIF Fund:** This fund is used to account for Development Impact Fees, proceeds and expenditures for the expansion of trails and trail systems in the Western County.

**Capital Development Parks - Prop 40:** This fund is used to account for proceeds and expenditures related to Proposition 40 for the expansion of park facilities.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Notes to Financial Statements*

*June 30, 2012*

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#### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **E. Fund Accounting (continued)**

###### **Non-Major Governmental Funds (continued)**

###### **Capital Projects Funds (continued):**

**Prop 50 Parkways Grant Fund:** To account for proceeds and expenditures related to Proposition 50.

**Trails East Co Park DIF Fund:** To account for developer impact fees to provide for expansion of trails in the Eastern County.

###### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

**Historical Commission Fund:** This fund accounts for revenues and expenditures related to discovering and identifying persons, events and places of historical significance in Riverside County.

**Iodine Springs Mitigation Fund:** This fund is used to account for activities related to Iodine Springs.

##### **F. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The final adopted and revised budgets are presented for the General Fund and the Santa Ana River Mitigation Fund in the required supplementary information section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

##### **G. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Assets, Liabilities, and Equity

##### 1. Cash

The District's cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

##### 2. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	27.5 years
Public Domain Infrastructure	27.5 years
System Infrastructure	27.5 years
Furniture and Equipment	5-7 years
Vehicles	5-10 years
Field Equipment	3-20 years

##### 3. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

##### 4. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### *Notes to Financial Statements*

*June 30, 2012*

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### H. Assets, Liabilities, and Equity (continued)

###### 5. Fund Balance Classifications

Fund balance reporting for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie these fund balance classifications and therefore would not report amounts in all possible fund balance classifications.

**Nonspendable:** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, revolving cash, inventories, and prepaid amounts.

**Restricted:** Fund balances should be reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned:** Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Under the District’s policy, only the governing board or Director may assign amounts for a specific purpose.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification also includes the Reserve for Economic Uncertainties (REU).

###### 6. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

##### I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

##### J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

##### K. Relationship to the County of Riverside

The Riverside County Regional Park and Open-Space District is an integral part of the reporting entity of the County of Riverside. The funds and account groups of the District have been blended within the financial statements of the County because the County Board of Supervisors is the governing board of the District and exercises control over the operations of the District. Only the funds of the District are included herein, therefore, these financial statements do not purport to represent the financial position of operations of the County of Riverside, California.

##### L. New GASB Pronouncements

During the 2011-12 fiscal year, the following GASB Pronouncements became effective for the District:

**GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*:** The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in the multiple-employer other postemployment benefit (OPEB) plans. This Statement is not expected to affect the District.

**GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*:** The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is not expected to affect the District.

#### NOTE 2 - CASH

Cash at June 30, 2012 is reported at fair value and consisted of the following:

	Governmental Activities/Funds	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	\$ 19,559,062	\$ 501,151
Cash with fiscal agent	1,400	-
Total Pooled Funds	19,560,462	501,151
Deposits:		
Cash in revolving fund	7,500	-
Cash in transit	45,680	-
Total Deposits	\$ 19,613,642	\$ 501,151

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

#### NOTE 2 – CASH (continued)

##### Pooled Funds

The District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2012, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, none of the District's bank balance was exposed to custodial credit risk.

#### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 consisted of the following:

	General Fund	Santa Ana River Mitigation Fund	West Co Park DIF Fund	SAR Park Prado Dam Fund	Non-Major Governmental Funds	Total Governmental Funds
Property Tax Receivable	\$ 138,672	\$ -	\$ -	\$ -	\$ -	\$ 138,672
Accounts Receivable	150,687	-	-	-	-	150,687
Interest Receivable	1,624	2,032	236	1,462	4,116	9,470
Due From Other Governments:						
State	345	-	-	-	142	487
City	6,105	-	-	-	-	6,105
For San Timoteo Schoolhouse	-	-	275,774	-	-	275,774
For Santa Rosa Plateau	-	-	457,485	-	-	457,485
Other	35,570	-	-	-	154,521	190,091
Total	<u>\$ 333,003</u>	<u>\$ 2,032</u>	<u>\$ 733,495</u>	<u>\$ 1,462</u>	<u>\$ 158,779</u>	<u>\$ 1,228,771</u>

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, 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.

During the 2011-12 fiscal year, the District made an interfund transfer of \$755,324 from the General Fund to the Special Revenue Recreation Fund. As described in Note 1.E. and in accordance with GASB Statement No. 54, the Recreation Fund is reported within the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.

##### A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2012 were as follows:

Due From Other Funds	Due To Other Funds		Total
	West Co Park DIF Fund	Non-Major Governmental Funds	
General Fund	\$ 1,200,000	\$ 100,000	\$ 1,300,000
Non-Major Governmental Funds	-	200,000	200,000
Total	<u>\$ 1,200,000</u>	<u>\$ 300,000</u>	<u>\$ 1,500,000</u>
General Fund due from West Co. Park DIF Fund to cover expenditures for capital improvement projects			\$ 1,200,000
General Fund due from Prop. 84 Construction & Land Acquisition Fund for projects to be funded under new Proposition 84			100,000
Trails West Co. Park DIF Fund due from Prop. 50 River Parkways Grant Fund for capital improvement projects to be funded under new Proposition 50			200,000
Total			<u>\$ 1,500,000</u>

##### B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2011-12 fiscal year were as follows:

Arundo Removal Fund transfer to the General Fund of State of CA Off-Highway Vehicle fees to cover salaries for Rangers and Maintenance Workers as allowable by program guidelines	<u>\$ 120,610</u>
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## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

#### NOTE 5 - FUND BALANCES

##### Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No.54. However, the District has chosen to abide by the policy adopted by the County of Riverside. The District adopted its own minimum fund balance policy in November, 2012.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

At June 30, 2012, fund balances of the District's governmental funds are classified as follows:

	General Fund	Santa Ana River Mitigation Fund	West Co Park DIF Fund	SAR Park Prado Dam Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:						
Revolving Cash	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Total Nonspendable	5,000	-	-	-	-	5,000
Restricted:						
Capital Projects	-	-	3,759	2,921,919	5,882,650	8,808,328
Total Restricted	-	-	3,759	2,921,919	5,882,650	8,808,328
Assigned:						
River Mitigation	-	4,053,883	-	-	-	4,053,883
Recreation	(92,862)	-	-	-	1,797,808	1,704,946
Park Resident Employee Utility	282,062	-	-	-	-	282,062
Habitat/Open Space Management - Parks	374,963	-	-	-	-	374,963
Habitat/Open Space Management	669,505	-	-	-	-	669,505
Natural Resource Education	215,559	-	-	-	-	215,559
Total Assigned	1,449,227	4,053,883	-	-	1,797,808	7,300,918
Unassigned:						
Remaining Unassigned Balances	2,740,193	-	-	-	845,277	3,585,470
Total Unassigned	2,740,193	-	-	-	845,277	3,585,470
Total	\$ 4,194,420	\$ 4,053,883	\$ 3,759	\$ 2,921,919	\$ 8,525,735	\$ 19,699,716



# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Notes to Financial Statements

June 30, 2012

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012 is shown below:

	Balance, As Originally Stated July 1, 2011	Restatements	Adjusted Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012
Capital assets not being depreciated:						
Land	\$ 28,263,385	\$ -	\$ 28,263,385	\$ -	\$ -	\$ 28,263,385
Construction in progress	8,637,114	(318,315)	8,318,799	1,182,380	6,343,541	3,157,638
Total capital assets not being depreciated	36,900,499	(318,315)	36,582,184	1,182,380	6,343,541	31,421,023
Capital assets being depreciated:						
Buildings	41,896,701	-	41,896,701	5,053,518	-	46,950,219
Machinery and equipment	4,356,312	-	4,356,312	15,090	-	4,371,402
Infrastructure	9,963,671	-	9,963,671	1,290,023	-	11,253,694
Total capital assets being depreciated	56,216,684	-	56,216,684	6,358,631	-	62,575,315
Accumulated depreciation for:						
Buildings	(6,637,662)	-	(6,637,662)	(565,228)	-	(7,202,890)
Machinery and equipment	(3,377,778)	-	(3,377,778)	(289,619)	-	(3,667,397)
Infrastructure	(2,304,482)	-	(2,304,482)	(347,237)	-	(2,651,719)
Total accumulated depreciation	(12,319,922)	-	(12,319,922)	(1,202,084)	-	(13,522,006)
Total capital assets being depreciated, net	43,896,762	-	43,896,762	5,156,547	-	49,053,309
Governmental activity capital assets, net	\$ 80,797,261	\$ (318,315)	\$ 80,478,946	\$ 6,338,927	\$ 6,343,541	\$ 80,474,332

### NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below:

	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	Amount Due Within One Year
Compensated Absences	\$ 1,424,893	\$ 147,517	\$ -	\$ 1,572,410	\$ 283,034
Claims and Judgments Payable	1,000,000	-	-	1,000,000	-
Totals	\$ 2,424,893	\$ 147,517	\$ -	\$ 2,572,410	\$ 283,034

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

#### A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

#### B. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of approximately \$8,100.

#### C. Litigation

At June 30, 2012, the District has accrued a liability of \$1 million related to a claim filed against it for alleged breach of contract. The District is actively trying to reach a settlement in the case, and no trial date has yet been set.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Notes to Financial Statements*

*June 30, 2012*

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#### **NOTE 9 – RISK MANAGEMENT**

##### **Property and Liability**

The District is part of the County of Riverside's insurance programs including coverage for property, general liability and auto liability. The County's insurance programs for property, general liability and auto liability are a combination of self insurance and excess insurance providing limits of liability of \$25,000,000 per occurrence.

##### **Workers' Compensation**

The employees of the District are considered to be employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a combination of self insurance and excess insurance providing statutory limits of coverage as required by the State of California.

##### **Claims Liability**

During the year ended June 30, 2012, the District had no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the District.

#### **NOTE 10 - EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under an employer defined benefit pension plan maintained by agencies of the State of California. Employees are members of the Public Employees' Retirement System (PERS).

##### **Plan Description and Provisions**

##### **Public Employees' Retirement System (PERS)**

##### **Plan Description**

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

##### **Funding Policy**

Active plan members with less than five years of service to the County of Riverside are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The District contributes the members of 8.0% share for active plan members with more than five years of service to Riverside County. However, effective 12/1/11, those employees with 5 years of service or more and not currently paying any CalPERS member contributions shall be required to pay 3% of compensation. Effective 7/12/12, they shall be required to pay a further 3%, and effective 7/11/13, they shall be required to pay an additional 2% for a total of 8% of compensation payable as member contribution. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 10 - EMPLOYEE RETIREMENT PLANS (continued)

The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 794,100	100%
2010-11	\$ 584,835	100%
2009-10	\$ 603,100	100%

#### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

##### Background

The Riverside County Regional Park and Open-Space District provides retiree medical benefits for eligible retirees enrolled in District sponsored plans. The benefits are provided in the form of monthly District contributions toward the retiree's premium. The District participates in CalPERS' California Employers' Retiree Benefit Trust (CERBT) trust fund.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	8
Active plan members*	122
Total	130

\* As of July 1, 2012 actuarial valuation

This report provides valuation results for the District, whose employees participate in the District's plans.

##### District Contributions

The District makes contributions to eligible retirees for their medical plan premiums when the retiree enrolls in a District sponsored health plan. 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. The District provided amounts are detailed in Exhibit VIII.

##### Implicit Subsidy

There is no longer an implicit subsidy in this plan. Previously, the District allowed certain retirees to receive coverage prior to age 65 by paying premiums that were developed by blending active and retiree costs, which resulted in an implicit subsidy to retirees. Effective January 1, 2011, all retirees pay premiums based on their "true" retiree only costs, and the implicit subsidy ceased to exist.

The District contributes a portion of an eligible retiree's medical plan premium under a District sponsored health plan (either at retirement or during a subsequent annual enrollment) for the retiree's lifetime. Contributions are based on bargaining unit at the time of retirement as follows:

Bargaining Unit at Retirement	Monthly Contribution			
	2009	2010	2011	2012
Management*	\$256.00	\$256.00	\$256.00	\$256.00
SEIU	\$25.00	\$25.00	\$25.00	\$25.00

\* Management retired before 11/1/2005 receive a monthly contribution of \$128 and after 11/1/2005 receive a monthly contribution of \$256.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 2,000
Interest on net OPEB obligation (asset)	(19,000)
Adjustment to annual required contribution	15,000
Annual OPEB cost (income)	(2,000)
Contributions made:	(4,497)
Increase (decrease) in net OPEB obligation	(6,497)
Net OPEB liability (asset) – July 1, 2011	(271,000)
Net OPEB liability (asset) – June 30, 2012	<u>\$ (277,497)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-12 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
2012	\$ (2,000)	225%	\$ (277,497)
2011	\$ 4,000	650%	\$ (271,000)
2010	\$ 9,000	289%	\$ (249,000)

##### Funded Status and Funding Progress – OPEB Plans

As of July 1, 2011 the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$139,000 and the unfunded actuarial accrued liability (UAAL) was \$(93,000).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Notes to Financial Statements*

*June 30, 2012*

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#### **NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

##### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Remaining amortization period	Open Period, 30 Years
Asset valuation	\$ 232,000
Actuarial assumptions:	
Discount rate	7.61%
Healthcare cost trend rate	N/A

#### **NOTE 12 - ADJUSTMENT FOR RESTATEMENT**

The beginning net assets on the Statement of Activities have been restated by \$318,315 to remove consultation expenses at June 30, 2011 that was previously included in construction in process as shown in Note 6.

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***Required Supplementary Information***

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# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Budgetary Comparison Schedule - General Fund

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,785,000	\$ 3,785,000	\$ 4,156,990	\$ 371,990
Revenue From Use of Money and Property	12,000	12,000	9,629	(2,371)
Intergovernmental Revenues	582,464	582,464	337,740	(244,724)
Charges for Services	4,172,174	4,172,174	4,762,457	590,283
Total Revenues	8,551,638	8,551,638	9,266,816	715,178
<b>Expenditures</b>				
Salaries and Employee Benefits	5,971,400	5,721,400	5,630,039	91,361
Services and Supplies	3,127,387	3,652,387	3,498,632	153,755
Capital Outlay	3,250	418,489	24,791	393,698
Other Charges	1,380,200	850,200	825,617	24,583
Total Expenditures	10,482,237	10,642,476	9,979,079	663,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,930,599)	(2,090,838)	(712,263)	1,378,575
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out	(21,740)	(755,324)	(755,324)	-
Total Other Financing Sources and Uses	(21,740)	(755,324)	(755,324)	-
Net Change in Fund Balances	(1,952,339)	(2,846,162)	(1,467,587)	1,378,575
Fund Balances, June 30, 2011	5,705,335	4,605,146	3,931,309	673,837
Fund Balances, June 30, 2012	\$ 3,752,996	\$ 1,758,984	\$ 2,463,722	\$ 2,052,412

\* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Recreation, Park Resident Employees, Habitat/Open Space Management, and Natural Resources Education Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Budgetary Comparison Schedule - Santa Ana River Mitigation**For the Fiscal Year Ended June 30, 2012*

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Revenue From Use of Money and Property	\$ 18,000	\$ 18,000	\$ 17,992	\$ (8)
Charges for Services	-	-	449	449
Total Revenues	18,000	18,000	18,441	441
<b>Expenditures</b>				
Services and Supplies	136,821	136,821	51,071	85,750
Other Charges	1,581	1,581	-	1,581
Total Expenditures	138,402	138,402	51,071	87,331
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,402)	(120,402)	(32,630)	87,772
Fund Balances, June 30, 2011	4,043,141	4,028,991	4,086,513	(57,522)
Fund Balances, June 30, 2012	\$ 3,922,739	\$ 3,908,589	\$ 4,053,883	\$ 30,250



**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT***Schedule of Funding Progress**For the Fiscal Year Ended June 30, 2012*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2007	N/A	\$ 190,000	\$ 190,000	0%	\$ 7,204,000	2.64%
1/1/2009	\$ 147,000	\$ 144,000	\$ (3,000)	102.1%	\$ 4,429,000	(0.07%)
7/1/2011	\$ 232,000	\$ 139,000	\$ (93,000)	166.9%	\$ 4,871,000	(1.91%)

## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2012*

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **Budgetary Comparison Schedules**

These schedules are required by GASB Statement No.34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

##### **Schedule of Funding Progress**

This schedule is required by GASB Statement No.45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

#### **NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2012, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules by major object code.

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## ***Supplementary Information***

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**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**  
*Combining Balance Sheet - Non-Major Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	Fish and Game Fund	Arundo Removal Fund	Off Road Vehicle Mgt. Fund	Off Hwy Vehicle Mgmt	MSHCP Fund	Multi-Species Reserve Fund	Trails West Co. Park DIF Fund	Capital Develop Parks Prop-40	East Co Park DIF Fund	Park Acquisition ACO Fund	Park Acquisition & Development	Prop 50 Pkwy's Grant SART	Trails East Co Park DIF	All Non Major
<b>ASSETS</b>														
Cash	\$ 12,385	\$ 1,177,581	\$ 557,228	\$ 25,009	\$ 1,103,191	\$ 118,163	\$ 1,364,734	\$ 1,446,261	\$ 475,686	\$ 858,947	\$ 1,194,807	\$ 201,911	\$ 7,342	\$ 8,543,245
Interest Receivable	7	606	279	7	487	54	814	724	238	199	597	101	3	4,116
Due From Other Governments	-	17,994	-	-	-	136,669	-	-	-	-	-	-	-	154,663
Due From Other Funds	-	-	-	-	-	-	200,000	-	-	-	-	-	-	200,000
<b>Total Assets</b>	<b>\$ 12,392</b>	<b>\$ 1,196,181</b>	<b>\$ 557,507</b>	<b>\$ 25,016</b>	<b>\$ 1,103,678</b>	<b>\$ 254,886</b>	<b>\$ 1,565,548</b>	<b>\$ 1,446,985</b>	<b>\$ 475,924</b>	<b>\$ 859,146</b>	<b>\$ 1,195,404</b>	<b>\$ 202,012</b>	<b>\$ 7,345</b>	<b>\$ 8,902,024</b>
<b>LIABILITIES AND FUND BALANCES</b>														
<b>Liabilities</b>														
Accounts Payable	\$ -	\$ 13,101	\$ -	\$ -	\$ 6,353	\$ 2,319	\$ 2,869	\$ -	\$ -	\$ 6,150	\$ -	\$ -	\$ -	\$ 30,792
Salaries and Benefits Payable	-	13,394	-	-	21,638	10,358	-	-	-	-	-	-	-	45,390
Due to Other Governmental Agencies	-	87	-	-	20	-	-	-	-	-	-	-	-	107
Due to Other Funds	-	-	-	-	-	-	-	-	-	100,000	-	200,000	-	300,000
<b>Total Liabilities</b>	<b>-</b>	<b>26,582</b>	<b>-</b>	<b>-</b>	<b>28,011</b>	<b>12,677</b>	<b>2,869</b>	<b>-</b>	<b>-</b>	<b>106,150</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>376,289</b>
<b>Fund Balances</b>														
Restricted	-	64,631	-	-	283,373	91,301	1,562,679	1,446,985	475,924	752,996	1,195,404	2,012	7,345	5,882,650
Assigned	12,392	1,104,968	557,507	-	-	122,941	-	-	-	-	-	-	-	1,797,808
Unassigned	-	-	-	25,016	792,294	27,967	-	-	-	-	-	-	-	845,277
<b>Total Fund Balances</b>	<b>12,392</b>	<b>1,169,599</b>	<b>557,507</b>	<b>25,016</b>	<b>1,075,667</b>	<b>242,209</b>	<b>1,562,679</b>	<b>1,446,985</b>	<b>475,924</b>	<b>752,996</b>	<b>1,195,404</b>	<b>2,012</b>	<b>7,345</b>	<b>8,525,735</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,392</b>	<b>\$ 1,196,181</b>	<b>\$ 557,507</b>	<b>\$ 25,016</b>	<b>\$ 1,103,678</b>	<b>\$ 254,886</b>	<b>\$ 1,565,548</b>	<b>\$ 1,446,985</b>	<b>\$ 475,924</b>	<b>\$ 859,146</b>	<b>\$ 1,195,404</b>	<b>\$ 202,012</b>	<b>\$ 7,345</b>	<b>\$ 8,902,024</b>

**RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Non-Major Funds*  
*For the Fiscal Year Ended June 30, 2012*

	Fish and Game Fund	Arundo Removal Fund	Off Road Vehicle Mgt. Fund	Off Hwy Vehicle Mgmt	MSHCP Fund	Multi-Species Reserve Fund	Trails West Co. Park DIF Fund	Capital Develop Parks Prop-40	East Co Park DIF Fund	Park Acquisition ACO Fund	Park Acquisition & Development	Prop 50 Pkwy's Grant SART	Trails East Co Park DIF	All Non- Major
<b>REVENUES</b>														
Revenue From Use of Money and Property	\$ 60	\$ 5,994	\$ 2,359	\$ 22	\$ 4,076	\$ 632	\$ 8,394	\$ 7,213	\$ 2,098	\$ 1,457	\$ 5,560	\$ 890	\$ 32	\$ 38,787
Intergovernmental Revenues	-	-	-	24,994	-	-	-	-	-	-	-	-	-	24,994
Charges for Services	1,963	396,427	105,190	-	645,215	330,090	-	-	-	582,051	-	-	-	2,060,936
Total revenues	2,023	402,421	107,549	25,016	649,291	330,722	8,394	7,213	2,098	583,508	5,560	890	32	2,124,717
<b>EXPENDITURES</b>														
Interpretive	-	34,364	-	-	-	-	-	-	-	-	-	-	-	34,364
Natural Resources	-	547,169	1,446	-	499,504	302,755	-	-	-	-	-	-	-	1,350,874
Planning and Construction	-	-	-	-	-	-	832,849	1,307	-	58,238	208,523	-	-	1,100,917
General Government	4,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500
Total Expenditures	4,500	581,533	1,446	-	499,504	302,755	832,849	1,307	-	58,238	208,523	-	-	2,490,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,477)	(179,112)	106,103	25,016	149,787	27,967	(824,455)	5,906	2,098	525,270	(202,963)	890	32	(365,938)
<b>OTHER FINANCING SOURCES (USES)</b>														
Interfund transfers out	-	(120,610)	-	-	-	-	-	-	-	-	-	-	-	(120,610)
Total Other Financing Sources and Uses	-	(120,610)	-	-	-	-	-	-	-	-	-	-	-	(120,610)
Net Change in Fund Balances	(2,477)	(299,722)	106,103	25,016	149,787	27,967	(824,455)	5,906	2,098	525,270	(202,963)	890	32	(486,548)
Fund Balances, July 1, 2011	14,869	1,469,321	451,404	-	925,880	214,242	2,387,134	1,441,079	473,826	227,726	1,398,367	1,122	7,313	9,012,283
Fund Balances, June 30, 2012	\$ 12,392	\$ 1,169,599	\$ 557,507	\$ 25,016	\$ 1,075,667	\$ 242,209	\$ 1,562,679	\$ 1,446,985	\$ 475,924	\$ 752,996	\$ 1,195,404	\$ 2,012	\$ 7,345	\$ 8,525,735

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Balance Sheet - General Fund

For the Fiscal Year Ended June 30, 2012

	General Fund #25400	Recreation #25420	Park Resident Emp Utility #25510	Habitat/Open Space Mgmt - Parks #25430	Habitat/Open Space #25521	Natural Resource Education #25535	Reported General Fund
<b>ASSETS</b>							
Cash	\$ 2,037,579	\$ 32,001	\$ 290,328	\$ 380,924	\$ 669,170	\$ 215,451	\$ 3,625,453
Property Tax Receivable	138,672	-	-	-	-	-	138,672
Accounts Receivable	125,099	25,588	-	-	-	-	150,687
Interest Receivable	882	-	141	158	335	108	1,624
Due From Other Governments	6,450	35,570	-	-	-	-	42,020
Due From Other Funds	1,300,000	-	-	-	-	-	1,300,000
Total Assets	<u>\$ 3,608,682</u>	<u>\$ 93,159</u>	<u>\$ 290,469</u>	<u>\$ 381,082</u>	<u>\$ 669,505</u>	<u>\$ 215,559</u>	<u>\$ 5,258,456</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 247,810	\$ 68,351	\$ 507	\$ 6,119	\$ -	\$ -	\$ 322,787
Salaries and Benefits Payable	258,743	117,077	-	-	-	-	375,820
Due to Other Governmental Agencies	4,613	593	-	-	-	-	5,206
Customer Deposits	-	-	7,900	-	-	-	7,900
Deferred Revenue	352,323	-	-	-	-	-	352,323
	<u>863,489</u>	<u>186,021</u>	<u>8,407</u>	<u>6,119</u>	<u>-</u>	<u>-</u>	<u>1,064,036</u>
<b>Fund Balances</b>							
Nonspendable	5,000	-	-	-	-	-	5,000
Assigned	-	(92,862)	282,062	374,963	669,505	215,559	1,449,227
Unassigned	2,740,193	-	-	-	-	-	2,740,193
Total Fund Balances	<u>2,745,193</u>	<u>(92,862)</u>	<u>282,062</u>	<u>374,963</u>	<u>669,505</u>	<u>215,559</u>	<u>4,194,420</u>
Total Liabilities and Fund Balances	<u>\$ 3,608,682</u>	<u>\$ 93,159</u>	<u>\$ 290,469</u>	<u>\$ 381,082</u>	<u>\$ 669,505</u>	<u>\$ 215,559</u>	<u>\$ 5,258,456</u>

# RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

## Statements of Revenues and Expenditures - General Fund

For the Fiscal Year Ended June 30, 2012

	General Fund #25400	Recreation #25420	Park Resident Emp Utility #25510	Habitat/Open Space Mgmt - Parks #25430	Habitat/Open Space #25521	Natural Resource Education #25535	Reported General Fund
<b>REVENUES</b>							
Property Taxes	\$ 4,156,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,156,990
Revenue From Use of Money and Property	9,629	(49)	1,185	472	2,951	1,254	15,442
Intergovernmental Revenues	337,740	41,400	-	260,000	-	-	639,140
Charges for Services	4,693,818	1,447,533	54,143	-	5,000	-	6,200,494
Operating Grants	68,639	-	-	-	-	-	68,639
Total Revenues	<u>\$ 9,266,816</u>	<u>\$ 1,488,884</u>	<u>\$ 55,328</u>	<u>\$ 260,472</u>	<u>\$ 7,951</u>	<u>\$ 1,254</u>	<u>\$ 11,080,705</u>
<b>EXPENDITURES</b>							
Interpretive	\$ 1,012,359	\$ -	\$ -	\$ -	\$ 250	\$ 106,464	\$ 1,119,073
Natural Resources	94,252	-	-	6,119	20,999	-	121,370
Parks	4,245,618	-	18,219	-	-	-	4,263,837
Planning and Construction	263,626	-	-	-	-	-	263,626
Recreation	3,826	2,384,788	-	-	-	-	2,388,614
General Government	4,359,398	-	-	-	-	-	4,359,398
Total Expenditures	<u>\$ 9,979,079</u>	<u>\$ 2,384,788</u>	<u>\$ 18,219</u>	<u>\$ 6,119</u>	<u>\$ 21,249</u>	<u>\$ 106,464</u>	<u>\$ 12,515,918</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Interfund transfers in	\$ -	\$ 755,324	\$ -	\$ 120,610	\$ -	\$ -	\$ 875,934
Interfund transfers out	(755,324)	-	-	-	-	-	(755,324)
Total Other Financing Sources and Uses	<u>\$ (755,324)</u>	<u>\$ 755,324</u>	<u>\$ -</u>	<u>\$ 120,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,610</u>

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***Other Independent Auditors' Reports***

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

Board of Directors  
Riverside County Regional Park and Open-Space District  
Riverside, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside County Regional Park and Open-Space District as of and for the year ended June 30, 2012, which collectively comprise Riverside County Regional Park and Open-Space District's basic financial statements and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Riverside County Regional Park and Open-Space District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Riverside County Regional Park and Open-Space District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverside County Regional Park and Open-Space District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Riverside County Regional Park and Open-Space District's internal control over financial reporting.

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

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

However, we identified certain deficiencies in internal control over financial reporting, that we consider to be significant deficiencies in internal control over financial reporting, that are described in the accompanying schedule of findings and responses as Findings 2012-1 and 2012-2. 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.

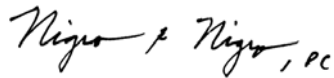
#### Compliance and Other Matters

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

We noted certain matters that we reported to management of Riverside County Regional Park and Open-Space District in a separate letter dated December 20, 2012.

Riverside County Regional Park and Open Space District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Nigro & Nigro, PC".

December 20, 2012

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## ***Findings and Responses***

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## **RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT**

### *Schedule of Audit Findings and Responses*

*For the Fiscal Year Ended June 30, 2012*

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#### **SECTION I - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

##### **FINDING 2012-1: CAPITAL ASSETS**

Through inquiry with District personnel, we found that a reliable capital asset and equipment inventory have not been completed. While the District conducted site visits and performed visual inspections, the information was deemed unreliable and the project is being reevaluated.

**Recommendation:** We recommend that the District conduct a comprehensive physical inventory count of its capital assets in the 2012-13 fiscal year and at least every other year thereafter.

**District Response:** The District initiated a five-year Strategic Plan beginning in Fiscal Year 2011-12. One of the tactics outlined in the Plan is to develop and maintain a complete listing of Capital Assets for the District. This project was started in October 2011 by reviewing the current Asset listing for accuracy and visiting all District sites to ensure completeness, but the initial results have indicated that further research of legal property ownership between the County and the District will be required. Several land assets are currently in the process of transferring legal ownership to the District, and many items will require official appraisal or valuation before they can be added to the District's list of assets. Once the list is complete and ownership issues are resolved, ongoing monitoring will be performed through annual inventory verification processes.

##### **FINDING 2012-2: EXPENDITURES**

During our cash disbursements testing, we were unable to review the entire sample selected; however, of the expenditures reviewed we found ten expenditures where the goods and/or services were received prior to obtaining a purchase order.

**Recommendation:** We recommend that a purchase order should be obtained for all expenditures prior to incurrence. Obtaining a purchase order prior to incurring each expenditure is an important internal control which verifies that purchases are approved and within established budgets.

**District Response:** The District's Finance Department initiated a mandatory Purchasing and Accounting Procedures training program for all existing District staff. Among other topics, this training focuses on the importance of obtaining approval prior to making a purchase by completing a purchase requisition and/or purchase order. Training sessions for existing staff began in November 2011, and have been conducted every other month since then. Additionally, in fiscal year 2012-13 the District created a new position, Fiscal Manager, which will be responsible for monitoring existing internal controls, visiting field staff frequently to assess operations, and conducting internal audits of critical areas of risk and implementing mitigating controls where needed.

## RIVERSIDE COUNTY REGIONAL PARK AND OPEN-SPACE DISTRICT

### Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2012

Original Finding No.	Finding	Recommendation	Current Status
<i>Finding 2011-1: Capital Assets/Inventory</i>	Through inquiry with District personnel, we found that capital assets and equipment inventories have not been performed in the past two years. We recommend that the District conduct a physical inventory on a regular basis at least every two years. The process should include vouching items listed on the asset listing to the physical items, as well as tracing items from the sites to verify that they are included on the asset listing.	We recommend that the District conduct a comprehensive physical inventory count of its capital assets at least every other year.	Partially Implemented. See Finding 2012-1.
<i>Finding 2011-2: Expenditures</i>	During our cash disbursements testing, we were unable to review the entire sample selected; however, of the expenditures reviewed we found ten expenditures where the goods and/or services were received prior to obtaining a purchase order.	We recommend that a purchase order should be obtained for all expenditures prior to incurrence. Obtaining a purchase order prior to incurring each expenditure is an important internal control which verifies that purchases are approved and within established budgets.	Not Implemented

To the Board of Directors  
Riverside County Regional Park and Open-Space District  
Riverside, California

In planning and performing our audit of the basic financial statements of Riverside County Regional Park and Open-Space District for the year ending June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 20, 2012, on the financial statements of Riverside County Regional Park and Open-Space District.

#### **CASH RECEIPTS AND DEPOSITS - IDYLLWILD NATURE CENTER, IDYLLWILD PARK, BOGART PARK, AND GILLMAN RANCH**

**Observation:** During our test of cash receipts and bank deposits, we were unable to tie the supporting documentation to bank deposit slips.

**Recommendation:** All cash receipts should be supported with documentation that indicates the source of funds. This creates an audit trail, which is a critical component of internal control.

#### **CASH HANDLING - TIMELINESS OF DEPOSITS - JURUPA AQUATIC CENTER, IDYLLWILD NATURE CENTER, AND GILLMAN RANCH**

**Observation:** During our test of deposits we noted that deposits were not made in a timely manner. At Jurupa Aquatic Center, cash collected from December 12 through 29, 2011 was not deposited until January 19, 2012. At Idyllwild Nature Center and Gillman Ranch, deposits were made monthly rather than more frequently despite policies requiring deposits when cash collected exceeds a certain amount.

**Recommendation:** We recommend that cash be deposited no later than weekly or when cash collected meets the prescribed threshold. We also recommend the District develop uniform policies for cash collections and deposits.

#### **HIDDEN VALLEY NATURE CENTER**

**Observation:** During our test of cash receipts we noted that a cash count sheet was not prepared for one of two days tested. During inquiry, we were informed that the site does not issue receipts during large events.

**Recommendation:** We recommend sound internal controls for handling cash to discourage theft of funds and protect those who handle the cash. It is important to tie and document all amounts collected in order to ensure that all proceeds are collected and accounted for.

To the Board of Directors  
Riverside County Regional Park and Open-Space District

### **JURUPA AQUATIC CENTER**

**Observation:** During our test of four days of cash receipts, we noted that a signature indicating verification of ending cash count was missing.

**Recommendation:** Good internal controls for handling cash include confirming the amount collected and to be deposited. This control discourages theft and ensures that all proceeds are properly accounted for.

### **JURUPA AQUATIC CENTER - RETAIL STORE**

**Observation:** During inquiry it was determined that the store is not performing periodic inventory counts to reconcile with sales from the point of sale (POS) system.

**Recommendation:** We recommend that a physical inventory count should be performed at least annually by two people and compared to the inventory balance in the POS system. Monitoring the inventory and respective sales will provide data to help the store identify shrinkage and other valuable information that will aid in operations.

### **PHYSICAL SAFEGUARDS OVER CASH**

**Observation:** At Gillman Ranch and Idyllwild Nature Center, we noted that the safes used at both locations to store cash prior to deposit do not appear to be adequate. Both are kept on top of a cabinet but are not secured, which would allow for them to be easily removed.

**Recommendation:** We recommend that the cash be kept securely in a location that can be locked and secured to a fixed object to prevent easy removal.

### **EXPENDITURES**

**Observation:** During our cash disbursements testing at the district office, we found 20 of 61 expenditures where the goods and/or services were received prior to obtaining a purchase order. Of these, eight had an approved purchase requisition.

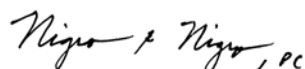
**Recommendation:** A purchase order should be obtained for all expenditures prior to incurrence. Obtaining a purchase order prior to incurring each expenditure is an important internal control which verifies that purchases are approved and within established budgets.

### **MULTI-YEAR PROJECTIONS**

**Observation:** During our testing we determined that the District is not currently preparing multi-year projections.

**Recommendation:** Creating multi-year projections is recommended to assess factors that will have an impact on the fiscal health of the District. It also creates opportunities for management to evaluate its fiscal solvency over the long-term and make appropriate cuts and other modifications.

We will review the status of the current year comments during our next audit engagement.



December 20, 2012