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**ELSINORE MURRIETA ANZA
RESOURCE CONSERVATION DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015**

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

For the Fiscal Year Ended June 30, 2015

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**ELSINORE MURRIETA ANZA
RESOURCE CONSERVATION DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015**

Financial Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
Elsinore Murrieta Anza Resource Conservation District
Wildomar, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Elsinore Murrieta Anza Resource Conservation District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities and General Fund

The District does not maintain records for the balance recorded as deposits payable. There is no process in place regarding the collection and classification of developer deposits and no master list of developers that we could contact to independently verify the existence of the liability. Therefore, we were unable to substantiate the balance asserted.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Elsinore Murrieta Anza Resource Conservation District as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Permanent Fund of the Elsinore Murrieta Anza Resource Conservation District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 to 8 and budgetary comparison information on page 24 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated _____, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California

_____, 2016

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

This discussion and analysis of Elsinore Murrieta Anza Resource Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$3,400, or 0.3% during the fiscal year.
- Governmental expenses were \$35,000. Revenues were \$38,000.
- There were no additions to capital assets during the year. Depreciation expense was \$1,400.

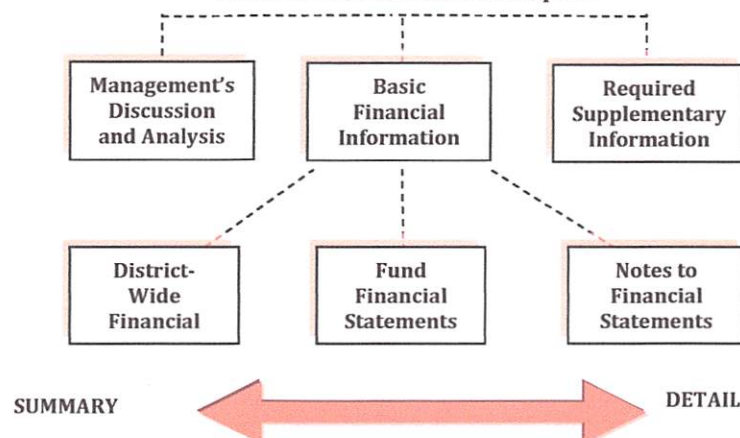
OVERVIEW OF THE FINANCIAL STATEMENTS

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 regular and special education 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 Elsinore Murrieta Anza Resource Conservation District's Annual Financial Report

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



ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

ORGANIZATION STRUCTURE

The Elsinore Murrieta Anza Resource Conservation District was formed 1949 under Public Resource Code Section 9074-9801 of the State of California. The District's mission is to promote conservation practices of natural resources, opportunities for public education and participation, and a sustainable quality of life for communities within the District. The District's territory includes 505,000 acres, or approximately 789 square miles, extending south from Scott Road in Menifee to the San Diego County line, and from the east of Anza west to the Orange County line. It also includes the loop around the north of Lake Elsinore. The District accepts many forms of mitigation to allow projects to run smoothly through the permitting process and promote a healthy environment for the respective communities.

2014-15 Board of Directors

Vickie Long, President	July 1, 2014 - June 4, 2015
Pam Nelson, Secretary/Treasurer	July 1, 2014 - June 4, 2015
Danny Martin, Director	July 1, 2014 - June 4, 2015
Rose Corona, Director	July 1, 2014 - June 4, 2015
Kelcey Stricker, Director	July 1, 2014 - April, 2015
Dave McElroy, Director	July 1, 2014 - November, 2014

2015-16 Board of Directors

Danny Martin, President	June 5, 2015 - November 30, 2015
Rose Corona, Vice President	June 5, 2015 - Present
David Kuhlman, Secretary/Treasurer	June 5, 2015 - Present
Vicki Long, Director	June 5, 2015 - Present
Pam Nelson, Director	June 5, 2015 - September 9, 2015
Carol Lee Brady, Director	September, 2015 - Present
Dave McElroy, Associate Director	March, 2015 - Present
Randy Feeney, Associate Director	April, 2015 - Present
Rick Neugebauer, Associate Director	April, 2015 - Present

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as the amount of building construction in the area, and the political climate affecting conservation.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as mitigation, public outreach and partnering with similar groups and agencies seeking to protect local watersheds.

Fund Financial Statements

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

The District has two funds, the General Fund and Permanent Fund.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Year Ended June 30, 2015*

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2015, than it was the year before – increasing to \$1.09 million. (See Table A-1.)

Table A-1

	Governmental Activities (In thousands)		Variance Increase (Decrease)
	2014	2015	
Current and other assets	\$ 372.7	\$ 377.8	\$ 5.1
Capital assets	750.4	749.1	(1.3)
Total assets	1,123.1	1,126.9	3.8
Total liabilities	37.6	38.0	0.4
Net position			
Net investment in capital assets	750.5	749.1	(1.4)
Restricted	298.0	298.0	-
Unrestricted	37.0	41.8	4.8
Total net position	\$ 1,085.5	\$ 1,088.9	\$ 3.4

Changes in net position, governmental activities. The District's total revenues increased 23% to \$38,400 (See Table A-2). The increase is primarily due to additional irrigation evaluations performed in the current year.

The total cost of all programs and services increased 7% to \$34,700. The increase is due to increased rent costs.

Table A-2

	Governmental Activities (In thousands)		Variance Increase (Decrease)
	2014	2015	
Total Revenues	\$ 34.1	\$ 38.4	\$ 4.3
Total Expenses	32.3	35.0	2.7
Increase (decrease) in net position	\$ 1.8	\$ 3.4	\$ 1.6

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

General Fund Budgetary Highlights

While the District's final budget for the General Fund anticipated revenues would equal expenditures, the actual results for the year show that revenues exceeded expenditures by \$4,051. Actual revenues were \$9,173 more than budgeted, but expenditures were \$5,122 more than planned.

CAPITAL ASSETS

By the end of 2014-15 the District had invested \$749,117 in capital assets, net of accumulated depreciation. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1,368.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District will continue to work with the communities of Lake Elsinore, Wildomar, Murrieta, Temecula, and Anza by providing education and mitigation services, protection of resources and the watershed through building stronger partnerships within the District's boundaries.

The District anticipates future revenue streams in partnership with the Santa Ana Watershed Association (SAWA), state grants and by accepting and monitoring new easements.

This and other factors were considered in preparing the Elsinore Murrieta Anza Resource Conservation District budget for the 2015-16 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 _____.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Statement of Net Position**June 30, 2015*

	Total Governmental Activities
ASSETS	
Cash	\$ 372,899
Accounts receivable	2,793
Prepaid expenses	2,116
Capital assets:	
Non-depreciable assets	747,750
Depreciable assets	9,570
Less, accumulated depreciation	<u>(8,203)</u>
Total assets	<u>1,126,925</u>
LIABILITIES	
Accounts payable	500
Unavailable revenue	2,000
Deposits payable	<u>35,476</u>
Total liabilities	<u>37,976</u>
NET POSITION	
Net investment in capital assets	749,117
Restricted for:	
Mitigation projects:	
Expendable	98,023
Non-expendable	200,000
Unrestricted	<u>41,809</u>
Total net position	<u>\$ 1,088,949</u>

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2015*

	Governmental Activities
Expenses:	
Administrative	\$ 21,403
Program expense	11,903
Depreciation (unallocated)	<u>1,368</u>
Total program expenses	<u>34,674</u>
Program revenues:	
SAWA stipend income	25,119
Water audit income	<u>9,550</u>
Total program revenues	<u>34,669</u>
Net program income (expenses)	<u>(5)</u>
General revenues and expenses:	
Interest income	3,718
Unrealized loss on investments	<u>(316)</u>
Total general revenues and expenses	<u>3,402</u>
Change in Net Position	3,397
Net Position, Beginning of Year	<u>1,085,552</u>
Net Position, End of Year	<u><u>\$ 1,088,949</u></u>

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Balance Sheet**June 30, 2015*

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 172,185	\$ -	\$ 172,185
Investments	-	200,714	200,714
Accounts receivable	2,793	-	2,793
Prepaid expenditures	2,116	-	2,116
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 177,094</u>	<u>\$ 200,714</u>	<u>\$ 377,808</u>
LIABILITIES			
Accounts payable	\$ 500	\$ -	\$ 500
Unavailable revenue	2,000	-	2,000
Deposits payable	35,476	-	35,476
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>37,976</u>	<u>-</u>	<u>37,976</u>
FUND BALANCE			
Nonspendable	2,116	200,000	202,116
Restricted for:			
Mitigation projects:			
Expendable	98,023	714	98,737
Unrestricted	38,979	-	38,979
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>139,118</u>	<u>200,714</u>	<u>339,832</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 177,094</u>	<u>\$ 200,714</u>	<u>\$ 377,808</u>

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For the Fiscal Year Ended June 30, 2015*

Total fund balances - governmental funds \$ 339,832

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$757,320, and the accumulated depreciation is \$8,203. The difference is:

749,117

Total net position - governmental activities

\$ 1,088,949

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balance**For the Fiscal Year Ended June 30, 2015*

	General Fund	Permanent Fund	Total Governmental Funds
REVENUES			
SAWA stipend income	\$ 25,119	\$ -	\$ 25,119
Water audit income	9,550	-	9,550
Investment income	3,004	714	3,718
Total Revenues	37,673	714	38,387
EXPENDITURES			
Current:			
Administrative			
Accounting	2,000	-	2,000
Audit	5,000	-	5,000
Legal	182	-	182
Administrative bank charges	10	-	10
Membership dues	439	-	439
Rent expense	8,772	-	8,772
Utilities	1,842	-	1,842
Postage	506	-	506
Printing	518	-	518
Insurance	1,575	-	1,575
Web site	115	-	115
Other	444	-	444
Unrealized loss on investments	316	-	316
Operational			
Contract services:			
Easement Reporting	2,973	-	2,973
Water audit expenses	8,930	-	8,930
Total Expenditures	33,622	-	33,622
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	4,051	714	4,765
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	1,030	-	1,030
Interfund transfers out	-	(1,030)	(1,030)
Total Other Financing Sources and Uses	1,030	(1,030)	-
Net Change in Fund Balances	5,081	(316)	4,765
Fund Balances, beginning of year	134,037	201,030	335,067
Fund Balances, end of year	\$ 139,118	\$ 200,714	\$ 339,832

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2015*

Total net change in fund balances - governmental funds \$ 4,765

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	-	
Depreciation expense	(1,368)	
Net:		<u>(1,368)</u>

Change in net position of governmental activities \$ 3,397

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Elsinore Murrieta Anza Resource Conservation District (the "District") accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Elsinore Murrieta Anza Resource Conservation District, this includes the General and Permanent Funds.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through developer fees.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Governmental Funds

The District maintains the following major governmental funds:

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

Permanent Fund: This fund is used to account for principal and interest related to endowments paid to the District as part of easement agreements.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

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

The District annually adopts a budget based on estimated revenues, estimated operation expenses, and capital expenditure requirements. The District's policy is to prepare its budgets on the modified accrual basis of accounting, which recognizes revenues when they are accrued, and expenses and capital assets are recorded as expenditures, and depreciation is not recorded. The District elects not to present budget information on the financial statements.

D. Encumbrances

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash

The District's cash consists of cash on hand, demand deposits and short-term investments with original maturities of less than 90 days from the date of acquisition.

2. Investments

Investments consist of certificates of deposits with average maturity date of 90 days or more from the date of acquisition.

3. Accounts Receivable

Accounts receivables represent amounts due to the District as of fiscal year end from conservation services rendered and interest.

4. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. The District does not currently define a threshold for capital assets. However, these assets are estimated to have an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are depreciated during the expected life of the asset on the straight-line method. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Capital Assets (continued)

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

Description	Estimated Lives
Office Equipment	7 years

Depreciation expense for the year ended June 30, 2015 was \$1,368.

5. Unavailable Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that are reported as deferred inflows of resources.

7. Fund Balance Reserves and Designations

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

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

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Fund Balance Reserves and Designations (continued)

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

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

Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

Unassigned: Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015, are reported at fair value and consisted of the following:

Cash - Deposits with financial institutions	\$	172,185
Investments - Certificates of deposit		200,714
	\$	<u>372,899</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. Cash balances in banks as of June 30, 2015, are fully insured by the Federal Depositary Insurance Corporation.

Cash and Investments

Cash and investments are reported at fair market value. The District considers certificates of deposit with a maturity date of 90 days or longer to be investments.

Authorized Investments

The investment policy adopted by the District is summarized as follow: "The District shall invest public funds in a manner which will safeguard principal, meet liquidity and achieve return on investments as referenced in government code section 53600.5."

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

Authorized Investments (continued)

All investments of the District shall conform to the requirements of applicable law and policy, whichever is more restrictive. The District is authorized to invest in the following:

<u>Permitted Investment/Deposits</u>	<u>Limit</u>	<u>Maximum Maturity/Duration</u>
U.S. Government Securities & Agencies	Unlimited	5 years
Federal Agency Sponsored Obligations	Unlimited	5 years
Register State Treasury Notes/Bonds	Unlimited	5 years
Certificates of Deposit	Unlimited	5 years
Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	30%	180 days
Prime Commercial Paper	25%	270 days
Local Agency Investment Fund	50 mm	5 years
Repurchase Agreements	20%	1 year
Reverse Repurchase Agreements	20%	92 days
Designated Mutual Funds	20%	N/A
Medium Term Notes	30%	5 years
California Asset Management Program	Unlimited	N/A
Mortgage-Backed Securities	20%	5 years
County Pooled Funds	Unlimited	N/A

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Maturities of investments as of June 30, 2015 are as follow:

<u>Investment Type</u>	<u>Investment Maturity in Years</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
Certificates of Deposit	<u>\$ 200,714</u>	<u>\$ 138,055</u>	<u>\$ 62,659</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 consisted of \$2,000 due from the California Department of Food and Agriculture and \$793 due from Union Banc Investment Services.

NOTE 4 – INTERFUND TRANSFERS

The District transferred \$1,030 from the Permanent Fund to the General Fund during the fiscal year.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Notes to Financial Statements**June 30, 2015*

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2015 is shown below:

	Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
Capital assets not being depreciated:				
Land	\$ 475,000	\$ -	\$ -	\$ 475,000
Greer Ranch easement	110,000	-	-	110,000
Adeline Farms easement	162,750	-	-	162,750
Total capital assets not being depreciated	747,750	-	-	747,750
Capital assets being depreciated:				
Machinery and equipment	9,570	-	-	9,570
Total capital assets being depreciated	9,570	-	-	9,570
Accumulated depreciation for:				
Machinery and equipment	(6,835)	(1,368)	-	(8,203)
Total capital assets being depreciated, net	2,735	(1,368)	-	1,367
Governmental activity capital assets, net	\$ 750,485	\$ (1,368)	\$ -	\$ 749,117

Easements***Greer Ranch Community***

In March of 2009, the District executed an agreement with Lennar Greer Ranch Venture, LLC, granting a conservation easement, in perpetuity, over property known as "Greer Ranch Community". The purpose of the Conservation Easement is to ensure the property will be preserved in a natural condition, in perpetuity, for gnatcatcher, vireo and other wildlife conservation, and to prevent, subject to the duties and rights retained by Grantor, any other use of the property that will impair or interfere with the conservation values of the property. The District is responsible for monitoring for compliance with this conservation easement and in-perpetuity, ongoing, long-term maintenance and management of the property.

Adeline Farms

In 2007, the District executed an agreement with Shea Homes Limited Partnership granting a conservation easement over property known as "Adeline Farms". The purpose is to ensure the property will be retained in a natural condition and to prevent any use of the property that will impair or interfere with the conservation values of the property.

NOTE 6 – CASH RESTRICTED FOR SPECIFIC PROGRAMS

The District accepted funds from a series of private development projects in the Murrieta and Temecula areas, which need offsite mitigation credit for permanent impacts to U.S. wildlife, open spaces, and watershed lands that is deemed appropriate and acceptable by the resource and regulatory agencies of \$98,023 at year end and deposits in the amount of \$35,476 as of June 30, 2015.

The District accepted endowment funds from Lennar Greer Ranch, LLC, a land developer, which will be used to maintain the Greer Ranch Conservation Easement associated with approximately 250 acres at Lennar's Greer Ranch residential community in the City of Murrieta, California in the amount of \$125,000.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 6 – CASH RESTRICTED FOR SPECIFIC PROGRAMS (continued)

The District accepted endowment funds from Shea Homes, a land developer, of which the income will be used, to maintain a conservation easement on the property marketed as "Adeline's Farm", in the vicinity of Washington Street and Benton Road, just west of Lake Skinner, in the French Valley area, in the amount of \$75,000.

NOTE 7 – RISK MANAGEMENT

The District is insured under a plan managed by the Special District Risk Management Authority for commercial general liability in the amount of \$2,500,000 and carries workers' compensation insurance in statutory amounts from the State Compensation Insurance Fund.

NOTE 8 - RENTAL AGREEMENT

The District office occupies approximately 576 square feet of a standard multi-tenant office building, located at 21535 Palomar Road in the city of Wildomar, California, at an expense of \$765 per month.

NOTE 9 - RELATED PARTY TRANSACTION

Former Board President and current Director Vicki Long serves as the President of the Board of Directors for the Santa Ana Watershed Association (SAWA). Revenues from SAWA totaled \$25,119 during the fiscal year.

NOTE 10 - GRANTS AND CONTRACTS

Agreement – Santa Ana Watershed Association

The work plan with SAWA has the goal to reduce the threat of invasive plants (especially giant reed and tamarisk) on native habitat and river function. SAWA will hold and disperse funds as indicated by the work plan. A total of \$25,119 was billed and received in the current year.

Agreement – Riverside Corona Resource Conservation District

Due to the District's size and lack of employees, the District has an agreement with Riverside Corona Resource Conservation District (RCRCD) to use RCRCD's employees for assistance in biological monitoring and reporting, mitigation work, development of project costs and other projects in which employee assistance may be required. The District paid RCRCD \$8,930 in the current year.

NOTE 11 – SUBSEQUENT EVENTS

The District closed its office and sold the furniture and equipment in August, 2015 and is no longer operating out of a business facility. Records are kept in a storage facility and business is operated out of board member homes.

The District has evaluated subsequent events through _____, 2016, the date which the financial statements were available to be issued.

Required Supplementary Information

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT*Budgetary Comparison Schedule - General Fund**For the Fiscal Year Ended June 30, 2015*

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
SAWA contract income	\$ 25,000	\$ 25,119	\$ 119
Other revenues	1,500	9,550	8,050
Investment income	2,000	3,004	1,004
Total Revenues	28,500	37,673	9,173
EXPENDITURES			
Current:			
Administrative			
Accounting	-	7,000	(7,000)
Legal	-	182	(182)
Administrative bank charges	250	10	240
Membership dues	600	439	161
Rent expense	9,000	8,772	228
Utilities	2,200	1,842	358
Postage	-	506	(506)
Printing	-	518	(518)
Insurance	1,500	1,575	(75)
Other	3,950	444	3,506
Unrealized loss on investments	-	316	(316)
Operational			
Contract services	7,000	3,088	3,912
Consulting	4,000	8,930	(4,930)
Total Expenditures	28,500	33,622	(5,122)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	4,051	4,051
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	1,030	1,030
Total Other Financing Sources and Uses	-	1,030	1,030
Net Change in Fund Balances	-	5,081	5,081
Fund Balances, beginning of year	134,037	134,037	-
Fund Balances, end of year	\$ 134,037	\$ 139,118	\$ 5,081

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, the District incurred excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule, as follows:

	<u>General Fund</u>
Administrative	\$ 4,104
Operational	1,018

Other Independent Auditors' Reports

**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
Elsinore Murrieta Anza Resource Conservation District
Wildomar, California

We have audited the financial statements of the governmental activities and major funds of Elsinore Murrieta Anza Resource Conservation District as of and for the year ended June 30, 2015, which collectively comprise Elsinore Murrieta Anza Resource Conservation District's basic financial statements and have issued our report thereon dated _____, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2015-1 and 2015-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elsinore Murrieta Anza Resource Conservation 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*.

Elsinore Murrieta Anza Resource Conservation District's Responses to Findings

Elsinore Murrieta Anza Resource Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Murrieta, California
_____, 2016

Findings and Responses

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Schedule of Audit Findings and Responses

For the Fiscal Year Ended June 30, 2015

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 2015-1: Developer Fees

Condition & Criteria: In our liability testing, we noted that the balance in developer deposits was unchanged from the prior year. Inquiry of both the District's Board and the District's accountant revealed that there are no records maintained that support the balance asserted. Additionally, there is no process in place regarding the collection and classification of developer deposits and no master list of developers that we could contact to independently verify the existence of the liability. Therefore, we were unable to test the balance asserted.

Recommendation: We recommend that the District develop a process for collecting, classifying and expensing deposits received by developers and to keep a master list of all developer fees in order to substantiate any amounts reflected on the financial statements.

District Response: The District agrees with the recommendations put forth by the auditors. The action by the District will be to completely re-build all files to reflect Developer deposits going back as far as possible to correctly reflect the history of payments and deposits for all easements and owned land with information that presently exists in the files. The District will also contact all Developers and agencies if information is lacking in an effort to re-build those files if the information does not presently exist in the District's files. At which point, a spreadsheet will be created in order to reflect for future audits, the liabilities and/or revenue and responsibilities of the District for those monies.

Finding 2015-2: Capital Assets & Equipment

Condition & Criteria: The District has no policy in place to track the purchase, depreciation or disposal of capital assets and the Board has not adopted a threshold for the classification of capital assets. Currently, only a small portion of the District's capital assets are considered depreciable. However, it is important to establish policies and procedures in order to better budget for large purchases, to help prevent theft of smaller assets and to ensure that capital items are Board approved prior to purchase.

Recommendation: We recommend that the Board adopt a capitalization threshold and policy for the purchase, classification, depreciation and disposal of capital assets. Further, we recommend that the District update its capital asset listing to include a detailed and itemized listing of assets.

District Response: The depreciated assets(furniture and equipment) of the District were sold in August 2015 since the lease for the office was terminated. The incoming tenant bought all the equipment with the exception of a printer and two filing cabinets for \$1,000.00. A list of the liquidated assets is available upon request.

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2015

There were no audit findings in 2013-14.

VOLUNTEER
PROGRAM

**SUBMITTAL TO THE BOARD OF DIRECTORS
TEMECULA ELSINORE ANZA MURRIETA RESOURCE CONSERVATION DISTRICT**

FROM: Michael W. Newcomb, Director Appointee

SUBJECT: Volunteer Initiative Project (the “Project”)

FACTS: There are approximately 12 public high schools, each with an average of 3,000 students in the TEAMRCD (e.g. roughly 36,000 high school students). Many of these districts require their high school students to obtain 20 or more community service volunteer hours as a requirement to graduation. If just 1% of the area high school students were to volunteer at/for TEAMRCD project for the minimum 20 hours, it would result in approximately 7,200 volunteer hours (360 x 20). There are also additional non-student groups and individuals that value the mission of TEAMRCD and may wish to provide volunteer hours or services to the District.

TEAMRCD has the need to use volunteers towards achieving its mission and goals to develop:

- educational and marketing materials,
- conservation related surveys of the TEAMRCD area,
- identify, research and apply for grants,
- solicit from the community conservation projects, and,
- provide volunteer labor towards various projects.

The name change from Elsinore Murrieta Anza Resource Conservation District (EMARCD) to Temecula Elsinore Anza Murrieta Resource Conservation District (TEAMRCD) was approved by the Riverside County Board of Directors on November 5, 2015 (Resolution No. 2015-252). The District should rebrand itself to be consistent with its legal name.

The District should also establish a comprehensive volunteer database and undertake an initiative to educate the community as to the volunteer opportunities available with the District and solicit projects from the community with low to no fiscal impacts that are consistent with the mission of the District.

RECOMMENDED MOTION: The Directors:

1. Approve the creation of a Volunteer Initiative Project (“Project”) that would solicit conservation projects, volunteers and assign volunteers, with the following parameters:
 - a. Publically, through the Districts website, solicit proposals for projects with both fiscal impacts and no fiscal impacts.
 - b. Any Project with a direct fiscal impact to the District’s budget would require approval of the Board of Directors.
 - c. Any Project with no direct fiscal impact to the District’s budget that would assist the District or relate to the conservation mission of the District may be approved and implemented by the President or their designee.
2. Establish an Ad Hoc Website Committee (“Website Committee”) consisting of Michael Newcomb and Randy Freeney, which will undertake the following actions to be completed within the next six (6) months:
 - a. Rebrand the District’s internet presence to its correct name, including, registering the domains consistent with the Districts name.

- b. Create / Install technologies on the District's website that enable registration and assignment of volunteers, time tracking and project communication and implementation within the existing Joomla CMS database by using free or paid Joomla extensions or modules that the Committee believes to be best suited.
 - c. Create forms, systems and materials believed necessary to implement the Project.
 - d. Create a District presence on popular and relevant social media platforms.
 - e. Provide content to the Website related to the District's history and mission and Projects in order to inform the public of the District's activities and the Project.
- 3. Authorize the expenditure of up to \$100 towards the purchase or license of technologies needed to implement the Project.
 - 4. Authorize the promotion of the Project to high schools, special interest and community groups, and the public at large.
 - 5. Authorize the President to approve all actions necessary to implement the Project within the approved budget.

FISCAL IMPACT / COST: \$25 to \$100 for the cost of website (Joomla) extensions or modules to collect, track and assign volunteer projects.

OLD BUSINESS

HEUX

BENTON CHANNEL

NOTE that
Easement for Heux
is after, more
w/ marked <

Rose Corona

From: mikewpeters@roadrunner.com
Sent: Thursday, February 04, 2016 8:58 AM
To: Rose Corona
Subject: RE: Proposal from developer

Our endowments at the FLC are restricted funds and can only be used for the project that the endowment was created. Monitoring; You don't have to have a expensive biologist monitor the easement you could have a volunteer in the community with a habitat background. All you have to monitor what it listed on the conservation easement, make sure no body is building apartments on the easement, no dumping, ect.

Mike Peters
Executive Director
Fallbrook Land Conservancy
www.fallbrooklandconservancy.org

Our mission is to preserve and enhance the natural beauty of the area through the permanent protection of open space and related activities.

— Rose Corona <rosecorona@bighorsefeed.com> wrote:

> Mike,
> Thank so much! What a help you are. You are correct in that we have to give them permission to allow them to dump storm water. I kept looking at this and saying "Well as I see it, they want to storm water on our easement. Where are the 100 year flood estimates when this happens? We can really tell them what to do because they get no .titlements without our approval. They do have all the agencies approvals but long term I agree. I don't see how the extra work benefits us. Especially after the 5 years is over. And since it is just \$3500.00 a year as you say to what point? All the hassle for an extra \$500.00. It is costing us around \$3,000.00 to have the biologist monitor this. We pay for the biologist out of the interest from the bigger endowment fund for the easement. But this would, to me bring additional income in perpetuity that can help fund the district? Or am I wrong?

>
> Rose
>
> —Original Message—
> From: mikewpeters@roadrunner.com [<mailto:mikewpeters@roadrunner.com>]
> Sent: Thursday, February 04, 2016 6:54 AM
> To: Rose Corona
> Subject: RE: Proposal from developer

>
> The way I see this is they are asking for your permission to dump storm water on the easement and all the funds are for you to remove invasive plants for five years. Maybe turn it around and they remove invasive plants and make the annual reports for five years with written reports to you and a fee for you to review the work.
> But as far as the conservation easement your getting nothing from them and it reads that you don't have to allow it. But they are getting approval from the agencies including the CDFW that you have to report to as easement holder.
> In you situation, why take on more responsibility with invasive removals and reporting and not get anything out of it but extra work.
> How much is it costing you a year to have a biologist monitor the site and make a report? Is there funds for that now?
> A \$54,600.00 endowment for the site would create \$1,802.00 per year for you to monitor in perpetuity.

Mike Peters
> Executive Director
> Fallbrook Land Conservancy

> www.fallbrooklandconservancy.org

 Our mission is to preserve and enhance the natural beauty of the area through the permanent protection of open space and related activities.

>

> — Rose Corona <rosecorona@bighorsefeed.com> wrote:

>> Mike,

>> We have no staff. So we contract out. I believe this might be something RCRC D was doing for us but this was before my time. But I do know we have had the monitoring done every year by a biologist who gives us a report. SAWA did our most recent plant removal on an HOA in La Cresta. I'm hoping as we get back on our feet that we will be able to partner with other RCD's that have the staff. This is where we can help the community, partner with our friends and build good relationships and hopefully make a little money so we too can eventually have staff. I thought this proposal had to do with water run-off? I believe in the second to the last paragraph it talks about storm drain outfall. So basically is this thing saying in exchange for 5 years of invasive removal, they can dump water on our easement. At the end of 5 years, then what? If Mother nature decides on her 100 or 500 year flood where are we with that with the additional run-off? That is my concern if I have this correct.

>>

>> Thanks ,

>>

>> Rose Corona

>>

>> —Original Message—

>> From: mikewpeters@roadrunner.com [mailto:mikewpeters@roadrunner.com]

>> Sent: Wednesday, February 03, 2016 6:27 AM

 >> To: Rose Corona

>> Subject: Re: Proposal from developer

>>

>> Hi Rose,

>> This proposal sounds like its funding an invasive plant removal and monitoring for five years. Does EMARCD have staff for invasive removals? Does EMARCD want to have a invasive program for five years? Would EMARCD have to hire a contractor for five years to perform this task?

>> Mike Peters

>> Executive Director

>> Fallbrook Land Conservancy

>> www.fallbrooklandconservancy.org

>>

>> Our mission is to preserve and enhance the natural beauty of the area through the permanent protection of open space and related activities.

>>

>> — Rose Corona <rosecorona@bighorsefeed.com> wrote:

>>> Here is the proposal from this developer. They want to dump water on this easement. Can you help me figure out all of this?

>>>

>>> Thanks,

>>>

>>> Rose Corona

>>>

 >>> From: QuickBooks Accounting

>>> Sent: Tuesday, February 02, 2016 4:05 PM

>>> To: Rose Corona

>>> Subject:

HELIX Environmental Planning, Inc.
7578 El Cajon Boulevard
Suite 200
La Mesa, CA 91942
619.462.1515 tel
619.462.0552 fax
www.helixepi.com



October 6, 2015

Vicki Long
Elsinore Murrieta Anza Resource Conservation District
21535 Palomar Street #A
Wildomar, CA 92595

Subject: Letter of Intent to Fund and Implement Invasives Removal Program at Benton Channel for the French Valley South Tentative Tract 30837 Project

Dear Ms. Long:

This serves as a written letter of intent submitted by HELIX Environmental Planning, Inc. (HELIX) on behalf of FVS Partners, LLC to fund and implement a 5-year invasives removal program at the Benton Channel, portions of which are contained within an existing conservation easement held by the Elsinore-Murrieta-Anza Resource Conservation District (EMARCD). The invasives removal program will be implemented as part of the French Valley South Tentative Tract 30837 Project (project), which requires a storm drain outfall at the Benton Channel and has been the topic of previous correspondence and meetings between FVS Partners, LLC and the EMARCD. As you are aware, the project is obtaining regulatory permits from the U.S. Army Corps of Engineers (USACE; SPL-2014-00594), Regional Water Quality Control Board (RWQCB; R9-2014-0088), and California Department of Fish and Wildlife (CDFW; 1600-2015-0106-R6) for the required storm drain outfall.

Preventing the establishment and spread of non-native invasive plant species is an important goal for the project. To achieve this goal, the project has been specifically designed to restrict invasives from project landscaping and incorporate biofiltration technology within the project's water quality basins to prevent the transport of seeds. The project's landscaping strictly prohibits the use of non-native invasive plant species identified in the Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP) and by the California Invasive Plant Council (Cal-IPC). The biofiltration design would prevent seeds belonging to invasives from leaving the project's water quality basins and entering the off-site storm drain that outfalls at Benton Channel. Through these actions, the project would prevent the establishment and spread of non-native invasive plant species in the local area.

In addition, FVS Partners, LLC is committed to funding an invasives removal program within Benton Channel, above and beyond what has already been incorporated into the design. Specifically, FVS Partners, LLC agrees to fund the initial removal of non-native plant species within the segment of the Benton Channel between easternmost existing storm drain outfall

Letter to Ms. Vicki Long
October 6, 2015

Page 2 of 2

structure (including all areas of disturbance resulting from the project's storm drain outfall) to the closest downstream outfall structure to the west (about 200 feet away). The funding would also cover annual monitoring and ongoing non-native plant removal within the area for a period of 5 years following the initial removal, such that the coverage of non-native plant species within that area does not exceed 5%. The funding would further cover preparation of an annual report detailing the non-native plant removal actions and progress for each year, including the methods used, the amount and species of non-native plants removed, and representative photographs from designated photo stations.

The expected cost of the program and total contribution of funding by FVS Partners, LLC to the EMARCD is \$17,225, which is detailed in Attachment A. Payment will be provided to EMARCD prior to the start of construction for the storm drain at the Benton Channel.

Last, in order for FVS Partners, LLC to contribute funding to an invasives removal program, EMARCD must agree to the required storm drain outfall at its current location within the Benton Channel, which is shown in Attachment B. As you are aware, the current planned location of the outfall was sited to completely avoid EMARCD's conservation easement and designed based on input received by the USACE, RWQCB, and CDFW. As such, there are no outstanding issues or ongoing concerns expected with the outfall at its current planned location.

Please kindly provide your acceptance of the program funding put forth by FVS Partners, LLC and your agreement of storm drain outfall at Benton Channel by signing below and returning a signed copy of this letter to me for records. Should you have any questions or require additional information, please do not hesitate to contact me at (619) 462-1515 or KarlO@helixepi.com.

Respectfully,



Karl L. Osmundson
Biology Group Manager

Cc: Mr. John Abel, Mr. Jason Keller, FVS Partners, LLC

Enclosure: Attachment A – Funding for Invasives Removal at Benton Channel
Attachment B – Off-Site Storm Drain Plans for French Valley South Tract 30837

Agreed and Accepted:

ELSINORE MURRIETA ANZA RESOURCE CONSERVATION DISTRICT

By: _____

Name: _____

Date: _____

unding Con

agrees to fund removal of non-native plant species within the segment of the Benton Channel between easternmost stormwater outfall structure (including all ice resulting from the project) to the closest downstream outfall structure to the west (about 200 feet away), and to perform monitoring and further non-native ordination within the area being monitored for five years following the initial removal, such that the coverage of non-native plant species within that area does not ant removal including the methods used, the amount and species of non-native plants removed, and representative photographs from designated photo stations.

ion to Elsinore Murrieta Anza Resource Conservation District by FVS Partners, LLC						
Activity Category	Activity/Expense	Frequency (times per year)	Hours/event	# events/year	Hourly Cost	Annual Cost
Project Management	Program oversight	annually	1	1	125	\$125
Annual Report	Annual Report	annually	6	1	105	\$630
Monitoring	General	bi-annual	2	2	100	\$400
Maintenance	General	bi-annual	6	2	100	\$1,200
					Subtotal	\$2,355
Administrative	15% of all costs					
Contingency	10% of all costs					\$354
Insurance	\$500/year					\$236
						\$500
					Annual Cost Total	\$3,445
					5-Year Cost Total	

Project management is expected to be limited to basic coordination tasks.

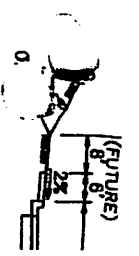
Annual report sent to EMARCD, USACE, CDFW documenting maintenance/invasive removal and monitoring events

Twice per year biologist inspection for non-native invasive plant species and monitoring memoranda sent to EMARCD, USACE, CDFW

Twice per year (spring and summer) maintenance crew visits to remove/treat non-native invasive plant species.

Project management is expected to be limited to basic coordination tasks.

Unforeseen circumstances Insurance for 2 maintenance personnel



RECORDED AT THE REQUEST OF
CHICAGO TITLE COMPANY
SUBDIVISION DEPT.

DOC # 2010-0054419
02/05/2010 08:00A Fee:231.00
Page 1 of 73

Recorded in Official Records
County of Riverside

Larry W. Ward
Assessor, County Clerk & Recorder



RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

21535 Palomar St # A
Wildomar Ca. 92595

Elsinore Murrieta Anza Resource

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CONSERVATION EASEMENT DEED

THIS CONSERVATION EASEMENT DEED is made this ____ day of ____,
2007, by Shea Homes LIMITED PARTNERSHIP ("Grantor"), in favor of Elsinore-
Murrieta-Anza Resource Conservation District ("Grantee"), with reference to the
following facts:



RECITALS

A. Grantor is the sole owner in fee simple of certain real property in the
County of Riverside, State of California, designated Assessor's Parcel Number 964-
030-013-0 and more particularly described in Exhibit "A" attached hereto and
incorporated herein by this reference (the "Property"). A map showing the Property in
relation to the project of which it is a part is attached hereto in Exhibit "B";

B. The Property possesses wildlife and habitat values (collectively,
"conservation values") of great importance to Grantee and the people of the State of
California;

C. This Conservation Easement provides mitigation for certain impacts of the
Project by Grantor pursuant to requirements of the California Department of Fish and
Game (CDFG) Streambed Alteration Agreement (1600-2003-5039-R6), United States
Army Corps of Engineers' ("ACOE") Section 404 Permit No. 200301453-JPL, the
Section 401 Water Quality Certification from the Regional Water Quality Control Board
File No. 03C-099 and the Formal Section 7 Concurrence for the Stephen's kangaroo
rat. This Conservation Easement is intended and shall be deemed to satisfy conditions
of the Streambed Alteration Agreement as to the Property. The Property is and will
remain in a Natural Condition as defined herein and is intended to be preserved in its
restored state (collectively, "Conservation Values"); and

D. Grantee is authorized to hold easements pursuant to Civil Code Section
815.3. Specifically, Grantee is a duly formed, validly existing entity identified in Civil

LLG Docs 271154

Page 1
9/11/2008
Easement

DOCUMENT TRANSFER TAX \$ 0
— COMPUTED ON FULL VALUE OF PROPERTY CONVEYED
— OR COMPUTED ON FULL VALUE LESS LIENS AND
ENCUMBRANCES REMAINING AT TIME OF SALE.

EMARCD French Valley Conservation

[Handwritten signatures]

Code Section 815.3 and otherwise authorized to acquire and hold title to real property. Grantee's certified organizational documents are attached as Exhibit "C";

COVENANTS, TERMS, CONDITIONS AND RESTRICTIONS

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and pursuant to California law, including Civil Code Section 815 et seq., Grantor hereby voluntarily grants and conveys to Grantee a conservation easement in perpetuity over the Property.

1. Purpose. The purpose of this Conservation Easement is to ensure the Property will be retained forever in a natural condition and to prevent any use of the Property that will impair or interfere with the conservation values of the Property. Grantor intends that this Conservation Easement will confine the use of the Property to such activities, including, without limitation, those involving the preservation and enhancement of native species and their habitat in a manner consistent with the habitat conservation purposes of this Conservation Easement.

2. Grantee's Rights. To accomplish the purposes of this Conservation Easement, Grantor hereby grants and conveys the following rights to Grantee:

- (a) To preserve and protect the conservation values of the Property;
- (b) To enter upon the Property at reasonable times in order to monitor Grantor's compliance with and to otherwise enforce the terms of this Conservation Easement, and for scientific research and interpretive purposes by Grantee or its designees, provided that Grantee shall not unreasonably interfere with Grantor's authorized use and quiet enjoyment of the Property;
- (c) To prevent any activity on or use of the Property that is inconsistent with the purposes of this Conservation Easement and to require the restoration of such areas or features of the Property that may be damaged by any act, failure to act, or any use that is inconsistent with the purposes of this Conservation Easement;
- (d) All mineral, air and water rights necessary to protect and to sustain the biological resources of the Property; and
- (e) All present and future development rights.

3. Prohibited Uses. Any activity on or use of the Property inconsistent with the purposes of this Conservation Easement is prohibited. Without limiting the generality of the foregoing, the following uses by Grantor, Grantor's agents, and third parties, are expressly prohibited:

(a) Unseasonal watering; use of fertilizers, pesticides, biocides, herbicides or other agricultural chemicals; weed abatement activities; incompatible fire protection activities; and any and all other activities and uses which may adversely affect the purposes of this Conservation Easement;

(b) Use of off-road vehicles and use of any other motorized vehicles except on existing roadways;

(c) Grazing or other agricultural activity of any kind;

(d) Recreational activities including, but not limited to, horseback riding, biking, hunting or fishing, except as may be specifically permitted under this Conservation Easement;

(e) Commercial or industrial uses;

(f) Any legal or de facto division, subdivision or partitioning of the Property;

(g) Construction, reconstruction or placement of any building, billboard or sign, or any other structure or improvement of any kind;

(h) Depositing or accumulation of soil, trash, ashes, refuse, waste, bio-solids or any other materials;

(i) Planting, introduction or dispersal of non-native or exotic plant or animal species;

(j) Filling, dumping, excavating, draining, dredging, mining, drilling, removing or exploring for or extraction of minerals, loam, soil, sands, gravel, rocks or other material on or below the surface of the Property;

(k) Altering the surface or general topography of the Property, including building of roads;

(l) Removing, destroying, or cutting of trees, shrubs or other vegetation, except as required by law for (1) fire breaks, (2) maintenance of existing foot trails or roads, or (3) prevention or treatment of disease; and

(m) Manipulating, impounding or altering any natural water course, body of water or water circulation on the Property, and activities or uses detrimental to water quality, including but not limited to degradation or pollution of any surface or sub-surface waters.

4. Duties.

(a) In addition, Grantor shall undertake all reasonably necessary actions to perfect Grantee's rights under Section 2 of this Conservation Easement, including but not limited to, Grantee's water rights.

(b) Grantee shall preserve and protect the conservation values of the Property, enter upon the Property at reasonable times in order to monitor Grantor's compliance with and to otherwise enforce the terms of this Conservation Easement, and prevent any activity on or use of the Property that is inconsistent with the purposes of this Conservation Easement and require the restoration of such areas or features of the Property that may be damaged by any act, failure to act, or any use that is inconsistent with the purposes of this Conservation Easement.

5. Reserved Rights. Grantor reserves to itself, and to its personal representatives, heirs, successors, and assigns, all rights accruing from its ownership of the Property, including the right to engage in or to permit or invite others to engage in all uses of the Property that are consistent with the purposes of this Conservation Easement.

6. Grantee's Remedies. If Grantee determines that Grantor has violated the terms of this Conservation Easement, Grantee shall give written notice to Grantor of such violation and demand in writing the cure of such violation. If Grantor fails to cure the violation within fifteen (15) days after receipt of written notice and demand from Grantee, or if the cure reasonably requires more than fifteen (15) days to complete and Grantor fails to begin the cure within the fifteen (15)-day period or fails to continue diligently to complete the cure, Grantee may bring an action at law or in equity in a court of competent jurisdiction to enforce compliance by Grantor with the terms of this Conservation Easement, to recover any damages to which Grantee may be entitled for violation by Grantor of the terms of this Conservation Easement or for any injury to the conservation values of the Property, to enjoin the violation, *ex parte* as necessary, by temporary or permanent injunction without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies, or for other equitable relief, including, but not limited to, the restoration of the Property to the condition in which it existed prior to any such violation or injury. Without limiting Grantor's liability therefor, Grantee shall apply any damages recovered to the cost of undertaking any corrective action on the Property.

If Grantee, reasonably determines that circumstances require immediate action to prevent or mitigate damage to the conservation values of the Property,

Grantee may pursue its remedies under this Section 6 without prior notice, but with concurrent notice to Grantor or without waiting for the period provided for cure to expire. Grantee's rights under this section apply equally to actual or threatened violations of the terms of this Conservation Easement. Grantor agrees that Grantee's remedies at law for any violation of the terms of this Conservation Easement are inadequate and that Grantee shall be entitled to the injunctive relief described in this section, both prohibitive and mandatory, in addition to such other relief to which Grantee may be entitled, including specific performance of the terms of this Conservation Easement, without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies. Grantee's remedies described in this section shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity, including but not limited to, the remedies set forth in Civil Code Section 815 et seq., inclusive. The failure of Grantee to discover a violation or to take immediate legal action shall not bar Grantee from taking such action at a later time.

If at any time in the future Grantor or any subsequent transferee uses or threatens to use the Property for purposes inconsistent with this Conservation Easement then, notwithstanding Civil Code Section 815.7, the California Attorney General or any entity or individual with a justiciable interest in the preservation of this Conservation Easement has standing as interested parties in any proceeding affecting this Conservation Easement.

6.1. Costs of Enforcement. Any costs incurred by Grantee, where Grantee is the prevailing party, in enforcing the terms of this Conservation Easement against Grantor, including, but not limited to, costs of suit and attorneys' and experts' fees, and any costs of restoration necessitated by Grantor's negligence or breach of this Conservation Easement shall be borne by Grantor.

6.2. Grantee's Discretion. Enforcement of the terms of this Conservation Easement by Grantee shall be at the discretion of Grantee, and any forbearance by Grantee to exercise its rights under this Conservation Easement in the event of any breach of any term of this Conservation Easement by Grantor shall not be deemed or construed to be a waiver by Grantee of such term or of any subsequent breach of the same or any other term of this Conservation Easement or of any of Grantee's rights under this Conservation Easement. No delay or omission by Grantee in the exercise of any right or remedy upon any breach by Grantor shall impair such right or remedy or be construed as a waiver.

6.3. Acts Beyond Grantor's Control. Nothing contained in this Conservation Easement shall be construed to entitle Grantee to bring any action against Grantor for any injury to or change in the Property resulting from (i) any natural cause including, without limitation, fire not caused by Grantor, flood, storm, and earth movement, or any prudent action taken by Grantor under emergency conditions to prevent, abate, or mitigate significant injury to the Property resulting from such causes; or (ii) acts by Grantee or its employees; (iii) acts by third parties; or (iv) any cause beyond Grantor's control.

6.4. Department of Fish and Game Right of Enforcement. All rights and remedies conveyed to Grantee under this Conservation Easement Deed shall extend to and are enforceable by the Department of Fish and Game.

7. Access. This Conservation Easement does not convey a general right of access to the public.

8. Costs and Liabilities. Grantor retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership of the Property. Grantor agrees that Grantee shall have no duty or responsibility for the operation or maintenance of the Property, the monitoring of hazardous conditions thereon, or the protection of Grantor, the public or any third parties from risks relating to conditions on the Property. Grantor remains solely responsible for obtaining any applicable governmental permits and approvals for any activity or use permitted by this Conservation Easement Deed, and any activity or use shall be undertaken in accordance with all applicable federal, state, local and administrative agency statutes, ordinances, rules, regulations, orders and requirements.

8.1. Taxes; No Liens. Grantor shall pay before delinquency all taxes, assessments, fees, and charges of whatever description levied on or assessed against the Property by competent authority (collectively "taxes"), including any taxes imposed upon, or incurred as a result of, this Conservation Easement, and shall furnish Grantee with satisfactory evidence of payment upon request. Grantor shall keep Grantee's interest in the Property free from any liens, including those arising out of any obligations incurred by Grantor or any labor or materials furnished or alleged to have been furnished to or for Grantor at or for use on the Property.

8.2. Hold Harmless. Grantor shall hold harmless, protect and indemnify Grantee and its directors, officers, employees, agents, contractors, and representatives and the heirs, personal representatives, successors and assigns of each of them (each an "Indemnified Party" and, collectively, "Indemnified Parties") from and against any and all liabilities, penalties, costs, losses, damages, expenses (including, without limitation, reasonable attorneys' fees and experts' fees), causes of action, claims, demands, orders, liens or judgments (each a "Claim" and, collectively, "Claims"), arising from or in any way connected with: (1) injury to or the death of any person, or physical damage to any property, resulting from any act, omission, condition, or other matter related to or occurring on or about the Property; (2) the obligations specified in Sections 4, 6, 9.0 and 9.1; and (3) the existence or administration of this Conservation Easement. The foregoing indemnity shall not apply to the extent such Claim arises out of or is connected to grossly negligent acts or omissions of Grantee. If any action or proceeding is brought against any of the Indemnified Parties by reason of any such Claim, Grantor shall, at the election of and upon written notice from Grantee, defend such action or proceeding by counsel reasonably acceptable to the Indemnified Party or

reimburse Grantee for all charges incurred for services of the Attorney General in defending the action or proceeding.

8.3 Condemnation. The purposes of the Conservation Easement are presumed to be the best and most necessary public use as defined at Code of Civil Procedure Section 1240.680 notwithstanding Code of Civil Procedure Sections 1240.690 and 1240.700.

9. Assignment. This Conservation Easement is transferable by Grantee, but only with the prior written consent of Grantor and in such case, Grantee may assign its rights and obligations under this Conservation Easement only to an entity or organization authorized to acquire and hold conservation easements pursuant to Civil Code Section 815.3. Grantee shall require the assignee to record the assignment in the county where the Property is located.

10. Subsequent Transfers. Grantor agrees to incorporate the terms of this Conservation Easement in any deed or other legal instrument by which Grantor divests itself of any interest in all or any portion of the Property, including, without limitation, a leasehold interest. Grantor further agrees to give written notice to Grantee of the intent to transfer any interest at least thirty (30) days prior to the date of such transfer. Grantee shall have the right to prevent subsequent transfers in which prospective subsequent claimants or transferees are not given notice of the covenants, terms, conditions and restrictions of this Conservation Easement. The failure of Grantor or Grantee to perform any act provided in this section shall not impair the validity of this Conservation Easement or limit its enforceability in any way.

11. Notices. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other shall be in writing and be served personally or sent by recognized overnight courier that guarantees next-day delivery or by first class mail, postage fully prepaid, addressed as follows:

To Grantor:	Shea Homes Limited Partnership 603 South Valencia Avenue Brea, California 92823 Attention: Mike O'Melveny, Vice President Community Development
-------------	--

To Grantee:

Estimote-Murrieta-Anza Resource Conservation
District
23905 Clinton Keith 114-165
Widommar Ca. 92595
Attn: Pam Nelsen, President of the Board

or to such other address as either party shall designate by written notice to the other. Notice shall be deemed effective upon delivery in the case of personal delivery or delivery by overnight courier or, in the case of delivery by first class mail, five (5) days after deposit into the United States mail.

13. **Amendment.** This Conservation Easement may be amended by Grantor and Grantee only by mutual written agreement. Any such amendment shall be consistent with the purposes of this Conservation Easement and shall not affect its perpetual duration. Any such amendment shall be recorded in the official records of Riverside County, State of California.

14. **General Provisions.**

(a) **Controlling Law.** The interpretation and performance of this Conservation Easement shall be governed by the laws of the State of California, disregarding the conflicts of law principles of such state.

(b) **Liberal Construction.** Any general rule of construction to the contrary notwithstanding, this Conservation Easement shall be liberally construed to effect the purposes of this Conservation Easement and the policy and purpose of Civil Code Section 815 et seq. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purposes of this Conservation Easement that would render the provision valid shall be favored over any interpretation that would render it invalid.

(c) **Severability.** If a court of competent jurisdiction voids or invalidates on its face any provision of this Conservation Easement Deed, such action shall not affect the remainder of this Conservation Easement Deed. If a court of competent jurisdiction voids or invalidates the application of any provision of this Conservation Easement Deed to a person or circumstance, such action shall not affect the application of the provision to other persons or circumstances.

(d) **Entire Agreement.** This instrument sets forth the entire agreement of the parties with respect to the Conservation Easement and supersedes all prior discussions, negotiations, understandings, or agreements relating to the Conservation Easement. No alteration or variation of this instrument shall be valid or binding unless contained in an amendment in accordance with Section 13.

(e) **No Forfeiture.** Nothing contained herein will result in a forfeiture or reversion of Grantor's title in any respect.

(f) **Successors.** The covenants, terms, conditions, and restrictions of this Conservation Easement Deed shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assigns and shall constitute a servitude running in perpetuity with the Property.

(g) **Termination of Rights and Obligations.** Grantor's rights and obligations under this Conservation Easement shall terminate upon transfer of its fee ownership interest in the Property, except that liability for acts or omissions occurring prior to transfer shall survive transfer. The transferee shall thereafter become the Grantor under this Agreement. Grantor's rights and obligations under this Conservation Easement shall terminate upon transfer of its interest in the Conservation Agreement, subject to approval by Grantor as required in this Agreement.

(h) **Captions.** The captions in this instrument have been inserted solely for convenience of reference and are not a part of this instrument and shall have no effect upon its construction or interpretation.

(i) **No Hazardous Materials Liability.** Grantor represents and warrants that it has no knowledge of any release or threatened release of Hazardous Materials (defined below) in, on, under, about or affecting the Property. Without limiting the obligations of Grantor under Section 9.2, Grantor agrees to indemnify, protect and hold harmless the Indemnified Parties (defined in Section 9.2) against any and all Claims (defined in Section 9.2) arising from or connected with any Hazardous Materials present, alleged to be present, or otherwise associated with the Property at any time, except any Hazardous Materials placed, disposed or released by Grantee, its employees or agents. If any action or proceeding is brought against any of the Indemnified Parties by reason of any such Claim, Grantor shall, at the election of and upon written notice from Grantee, defend such action or proceeding by counsel reasonably acceptable to the Indemnified Party or reimburse Grantee for all charges incurred for services of the Attorney General in defending the action or proceeding. Despite any contrary provision of this Conservation Easement

Deed, the parties do not intend this Conservation Easement to be, and this Conservation Easement shall not be, construed such that it creates in or gives to Grantee any of the following:

(1) The obligations or liabilities of an "owner" or "operator," as those terms are defined and used in Environmental Laws (defined below), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et seq.; hereinafter, "CERCLA"); or

(2) The obligations or liabilities of a person described in 42 U.S.C. Section 9607(a)(3) or (4); or

(3) The obligations of a responsible person under any applicable Environmental Laws; or

(4) The right to investigate and remediate any Hazardous Materials associated with the Property; or

(5) Any control over Grantor's ability to investigate, remove, remediate or otherwise clean up any Hazardous Materials associated with the Property.

The term "Hazardous Materials" includes, without limitation, (a) material that is flammable, explosive or radioactive; (b) petroleum products, including by-products and fractions thereof; and (c) hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in CERCLA, the Hazardous Materials Transportation Act (49 U.S.C. Section 6901 et seq.); the Hazardous Waste Control Law (California Health & Safety Code Section 25100 et seq.); the Hazardous Substance Account Act (California Health & Safety Code Section 25300 et seq.), and in the regulations adopted and publications promulgated pursuant to them, or any other applicable federal, state or local laws, ordinances, rules, regulations or orders now in effect or enacted after the date of this Conservation Easement Deed.

The term "Environmental Laws" includes, without limitation, any federal, state, local or administrative agency statute, ordinance, rule, regulation, order or requirement relating to pollution, protection of human health or safety, the environment or Hazardous Materials. Grantor represents, warrants and covenants to Grantee that Grantor's activities upon and use of the Property will comply with all Environmental Laws.

(j) Title. Attached hereto as Exhibit "E" is a preliminary title report showing the condition of title to the Property.

(k) Additional Easements. Grantor shall not grant any additional easements, rights of way or other interests in the Property (other than a security interest that is subordinate to this Conservation Easement Deed), or grant or otherwise abandon or relinquish any water agreement relating to the Property, without first obtaining the written consent of Grantee. Grantee may withhold such consent if it determines that the proposed interest or transfer is inconsistent with the purposes of this Conservation Easement or will impair or interfere with the conservation values of the Property. This Section 14(k) shall not prohibit transfer of a fee or leasehold interest in the Property that is subject to this Conservation Easement Deed and complies with Section 11.

IN WITNESS WHEREOF Grantor has executed this Conservation Easement Deed the day and year first above written.

GRANTOR:

GRANTEE:

SHEA HOMES LIMITED PARTNERSHIP,
A California Limited Partnership

BY: [Signature]

BY: [Signature]

Name: John Danvers

President of the Board Member
Vicki G. Long

Title: Vice President, Shea Homes

~~Elsinore-Murietta-Anza~~
Resource Conservation District

Date: 2/3/10

Date: 2-3-10

State of California
County of Riverside

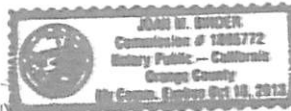
On February 3, 2010 before me, Joan M. Binder, personally appeared John Danvers who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)



Joan M. Binder
Notary Public
Commission # 11865772
Comm. Expires October 18, 2013

State of California
County of Riverside

On February 3, 2010 before me, Joan M. Binder, personally appeared Vicki G. Long who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature



Joan M. Binder
Notary Public
Commission # 11865772
Comm. Expires October 18, 2013

GOVERNMENT CODE 27361.7

I CERTIFY UNDER PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

Name of the Notary: JOAN M. BINDER

Commission Number: 1885772 Date Commission Expires: Oct-18, 2013

County Where Bond is Filed: ORANGE

Manufacturer or Vendor Number: NNA 1
(Located on both sides of the notary seal border)

Signature: 
Firm Name (if applicable)

TOM VOTEL - CHICAGO h/ve

Place of Execution: SAN DIEGO Date: 2-4-2010

Exhibit A

Legal Description of Property

LOT 379 OF TRACT 29214, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 379, PAGES 72 THROUGH 97, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.



Source: Google Earth Pro.

Exhibit 2 Local Vicinity Map Aerial Base

SHEA HOMES • ADELINE'S FARM
AS-BUILT REPORT



Michael Bradman Associates

01470047 • 07/2008 | 2_local_aerial.mxd

Exhibit C

Grantee's [formation documents]

Murceta
Mou

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE ELSINORE MURRIETA ANZA RESOURCE
CONSERVATION DISTRICT AND THE CITY OF
MURRIETA COMMUNITY SERVICES DISTRICT
REGARDING HABITAT CREATION,
RESTORATION AND ENHANCEMENT ON
CONSERVANCY LANDS**

This Memorandum of Understanding ("MOU") is entered into between the Elsinore Murrieta Anza Resource Conservation District, a California resource conservation district ("Conservation District"), and the City of Murrieta Community Services District, a California Community Services District organized pursuant to California Government Code section 61000 *et seq.* ("Murrieta CSD"), as of June 2, 2009 (the "Effective Date"). Conservation District and Murrieta CSD are sometimes referred to in this MOU individually as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, Conservation District is a resource conservation district formed for the control of runoff, the prevention or control of soil erosion, the development and distribution of water, and the improvement of land capabilities pursuant to Public Resources Code section 9151 *et seq.*, and may accept grants of money, land, and conservation easements to carry out its purposes, and may establish and charge fees for services provided upon request pursuant to Public Resources Code sections 9401 *et seq.*; and

WHEREAS, the Parties expect that the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, the California Department of Fish and Game, the Regional Water Quality Control Boards, and other regulatory agencies (collectively, "Regulatory Agencies") will continue to require third parties not a part of this MOU (qualified mitigation contractors) to create, restore, or enhance riparian or other lands in the manner commonly performed by Conservation District ("Restoration Activities") as environmental mitigation to offset the impacts of residential, commercial, and industrial development; and

WHEREAS, Conservation District routinely sells creation, enhancement or restoration credits to qualified mitigation contractors ("Contractors") often at the suggestion of the Regulatory Agencies; and

WHEREAS, there is a diminishing amount of land owned by Conservation District upon which Restoration Activities can be performed; and

WHEREAS, Murrieta CSD owns various lands in fee and holds conservation easements for lands which are in need of restoration ("Murrieta CSD Lands"); and

WHEREAS, Murrieta CSD is amenable to working with Conservation District to allow for Conservation District to conduct Restoration Activities on Murrieta CSD Lands; and

WHEREAS, Murrieta CSD authorizes the Conservation District to conduct restoration activities subject to the terms and conditions of this agreement; and