

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT**

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# LARRY BAIN, CPA

An Accounting Corporation

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Napa County Resource Conservation District  
Napa, CA

We have audited the accompanying financial statements of the governmental activities and fund information which comprise the basic financial statements of Napa County Resource Conservation District as of and for the fiscal year ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Napa County Resource Conservation District as of June 30, 2014, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information other than MD&A, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2014, on our consideration of the Napa County Resource Conservation 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 Napa County Resource Conservation District's internal control over financial reporting and compliance.

***Larry Bain, CPA***  
***An Accounting Corporation***

October 3, 2014



## Napa County Resource Conservation District

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### Management's Discussion and Analysis October 3, 2014

As management of the Napa County Resource Conservation District (District), we offer the following summary analysis (Analysis) to the financial statements for the period July 1, 2013 to June 30, 2014 (hereinafter referred to as Fiscal Year 2014). This Analysis is intended to provide an overview of the District's financial activity, focus on significant financial issues, and identify major changes in the District's financial position.

#### **Financial Highlights for Fiscal Year 2014**

During Fiscal Year 2014, the District's total net position increased by \$57,127, approximately 4.83%. The District had expenses of \$1,404,723 and generated \$1,461,850 in program, tax and other revenues. For comparison, in fiscal year 2013, revenues exceeded expenses by \$37,461.

At the end of Fiscal Year 2014, the general fund had a fund balance of \$ 825,649.

The District purchased and installed a fence at the District's demonstration vineyard, resulting in an addition of \$22,700 to capital assets in Fiscal Year 2014.

The major financial components for the fiscal year ending June 30, 2014 are shown below:

#### **Revenues for Fiscal Year 2014 (\$ 1,461,850)**

Program revenues (80%) include charges for services under grant contracts to private entities (e.g., non-profits, businesses) and to state, local and federal agencies (\$1,012,690), as well as income from the District's demonstration vineyard (\$158,382). General revenues (20%) include county taxes (\$266,453), interest on funds invested in the county's pooled fund and other miscellaneous sources (\$24,325).

#### **Expenses for Fiscal Year 2014 (\$ 1,404,723)**

Expenses for the District are broken down as follows:

• Personnel services (64%)	\$ 899,622
• Grant Services and Supplies (35%)	494,129
• Depreciation (1%)	10,005
• Interest	967
<b>Total Expenses</b>	<b><u>\$ 1,404,723</u></b>

#### **Condensed Financial Information**

The following financial information is a condensed version of the Audit Report. The Notes to the Financial Statements in the Audit Report provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found starting on page 15 of the Audit Report.

**Statement of Net Position**

The Statement of Net Position (including assets and liabilities) and the Governmental Fund Balance Sheet are found on page 7 and 9, respectively, of the Audit Report. The Condensed Statement of Net Position, shown in Table 1 below, presents information on all of the District’s assets and liabilities, with the difference between the two reported as total net position. Over time, changes in total net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

<b>Table 1</b>	<b>Condensed Statement of Net Position</b>	<b><u>2013/2014</u></b>	<b><u>2012/2013</u></b>
	Current and other assets	\$1,064,284	\$ 960,773
	Land	350,100	350,100
	Other capital assets, net of depreciation	<u>49,042</u>	<u>36,347</u>
	<b>Total assets</b>	<b><u>\$1,463,426</u></b>	<b><u>\$ 1,347,220</u></b>
	Current liabilities	\$ 170,676	\$ 105,127
	Non-current liabilities	<u>52,045</u>	<u>58,515</u>
	<b>Total liabilities</b>	<b><u>222,721</u></b>	<b><u>163,642</u></b>
	<b>Total Net Position</b>	<b><u>\$1,240,705</u></b>	<b><u>\$ 1,183,578</u></b>
	<b>Breakdown of Total Net Position:</b>		
	Net investment in capital assets	\$ 372,891	\$ 351,904
	Unrestricted assets	<u>867,814</u>	<u>831,674</u>
		<b><u>\$1,240,705</u></b>	<b><u>\$ 1,183,578</u></b>

**Change in Net Position**

The Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance are found on page 8 and 11, respectively, of the Audit Report. The Condensed Statement of Activities, shown in Table 2, presents information showing how the District’s net position changed during the fiscal year. The Statement of Activities (page 8) also provides important information on the District’s governmental activities, how these services were financed in the short term and what remains for future spending.

<b>Table 2</b>	<b>Condensed Statement of Activities</b>	<b><u>2013/2014</u></b>	<b><u>2012/2013</u></b>
	Total Program Revenues	\$1,171,072	\$1,075,055
	Total General Revenues	<u>290,778</u>	<u>278,205</u>
	<b>Total Revenues</b>	<b><u>\$1,461,850</u></b>	<b><u>\$1,353,260</u></b>
	<b>Total operating expenses</b>	<b><u>\$ 1,404,723</u></b>	<b><u>\$ 1,315,799</u></b>
	<b>Change in Net Position</b>	<b><u>\$ 57,127</u></b>	<b><u>\$ 37,461</u></b>

For Table 2, Program Revenues include charges for services under grant contracts to private entities (e.g., non-profits, businesses) and to state, local and federal agencies, as well as income from the District’s demonstration vineyard. General Revenues include property tax, investment income and miscellaneous sources such as donations and fundraising events.

**Actual Compared to Budget**

The Budgetary Comparison Schedule, found on page 21 of the Audit Report, and summarized in Table 3 of this Analysis, reviews all actual revenues and expenditures for the fiscal year and compares them to the annual budget. The District's actual net excess of revenues over expenses (i.e. net surplus) was \$23,362 for the fiscal year. This was \$13,618 above the budgeted amount of \$9,744.

**Table 3 Actual Compared to Budget-General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Favorable (Unfavorable) Variance</u>
Intergovernmental Revenue	\$1,133,280	\$1,043,680	\$ 998,090	\$ (45,590)
Tax Revenue	262,600	262,600	266,453	3,853
Use of Money/Property Revenue	110,000	158,000	161,629	3,629
Miscellaneous Revenue	<u>14,000</u>	<u>14,700</u>	<u>21,078</u>	<u>6,378</u>
<b>Total Revenues</b>	<b><u>\$1,519,880</u></b>	<b><u>\$1,478,980</u></b>	<b><u>\$1,447,250</u></b>	<b><u>\$ (31,730)</u></b>
<b>Total Expenses</b>	<b><u>\$ 1,538,636</u></b>	<b><u>\$ 1,469,236</u></b>	<b><u>\$1,423,888</u></b>	<b><u>\$ 45,348</u></b>
<b>Net excess/(deficiency)</b>	<b><u>\$ (18,756)</u></b>	<b><u>\$ 9,744</u></b>	<b><u>\$ 23,362</u></b>	<b><u>\$ 13,618</u></b>

**Capital Assets**

At the end of fiscal year 2013-2014, the District had \$399,142 in capital assets, including land, computer equipment, a vehicle, a vineyard and field equipment (including depreciation). This amount represents a net increase of \$ 12,695 over the previous fiscal year.

**Table 4 Capital Assets at Year-end (Net of Depreciation, in dollars)**

	<u>2013-2014</u>	<u>2012-2013</u>
Land	\$ 350,100	\$ 350,100
Land improvements	1,617	3,234
Computer Equipment	2,012	6,012
Vehicles	2,310	3,466
Hydrologic Equipment	0	0
Vineyard & Field Equipment	<u>43,103</u>	<u>23,635</u>
<b>Total capital assets</b>	<b><u>\$ 399,142</u></b>	<b><u>\$ 386,447</u></b>

There was one major addition to capital assets in Fiscal Year 2014. This was a new fence for the demonstration vineyard in the amount of \$22,700.

**Deferred Inflows of Resources**

At the end of fiscal year 2013-2014 the District had \$112,529 in deferred inflows of resources (the previous term for this was Deferred Revenue). The Deferred Inflows of Resources, on page 9 is broken down into two categories. *Unearned Revenue* in the amount of \$44,570 reflects money we received in advance for specific services, but have not yet earned. *Unavailable Revenue* in the amount of \$67,959 is money that we have earned but have not yet received (e.g., outstanding invoices that were not paid within ninety days of the end of the fiscal year and funds that are retained by granting agency until the end of contracts).

**Debt**

The District's Loan payable consist of a loan agreement with the State Revolving Fund Loan Program, dated May 23, 1997 and is due in annual installments of \$9,248 on July 23 at an interest rate of 2.8%. The proceeds were used for District improvements. The balance at June 30, 2014 was \$ 26,251.

**Table 5 Outstanding Debt at Year-end**

	<u>2013-2014</u>	<u>2012-2013</u>
<b>State Revolving Fund Loan</b>	<u>\$ 26,251</u>	<u>\$ 34,532</u>

**Economic Factors and Fiscal Year 2015 Budget**

The District Board and management considered many factors when determining the budget for Fiscal Year 2015 (July 1, 2014 – June 30, 2015). Revenue was estimated on the basis of prior years' experience and our expectations for grant and fee-for-service funding in this and subsequent years. The budget assumes addition of one full-time staff member and attrition of one staff person mid-year. A new vehicle has also been budgeted.

District management believes that the revenue assumptions underlying our budget are conservative. Among the possible funding sources we have identified for Fiscal Year 2015, the budget includes only those already committed to be available this year, and tax revenues are projected to remain the same as the previous year. If these assumptions are borne out, the District can expect to utilize fund balance to cover anticipated expenses in Fiscal Year 2015.

**Contacting the District's Financial Management**

This Analysis is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at 1303 Jefferson Street, Suite 500B, Napa, CA 94559 (707) 252-4188.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Governmental Activities
	<u>                    </u>
Assets	
Cash and investments	\$ 844,544
Imprest cash	300
Grants and other receivables	203,962
Prepaid insurance	6,007
Prepaid expense	9,471
Capital assets-net	<u>399,142</u>
Total Asset	\$ <u><u>1,463,426</u></u>
 Liabilities	
Current liabilities:	
Accounts payables	\$ 75,572
Accrued payroll	50,534
Deferred revenue	<u>44,570</u>
Total Current Liabilities	<u>170,676</u>
 Noncurrent liabilities:	
Due within one year	8,281
Due in more than one year	<u>43,764</u>
Total Noncurrent Liabilities	<u>52,045</u>
 Total Liabilities	<u>222,721</u>
 Net Position	
Net investment in capital assets	372,891
Unrestricted	<u>867,814</u>
 Total Net Position	\$ <u><u>1,240,705</u></u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2014**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total</u>
Governmental Activities:			
Natural resource conservation	\$ 1,403,756	\$ 158,382	\$ 1,012,690
Interest expense	<u>967</u>		<u>(967)</u>
 Total Governmental Activities	 <u>\$ 1,404,723</u>	 <u>\$ 158,382</u>	 <u>\$ 1,012,690</u>

General Revenues:

Property tax, levied for general purposes	266,453
Investment income	3,247
Miscellaneous	<u>21,078</u>
Total general revenues	<u>290,778</u>
Change in net position	57,127
Net position - beginning	<u>1,183,578</u>
Net position - ending	<u>\$ 1,240,705</u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

GOVERNMENTAL FUND  
BALANCE SHEET  
JUNE 30, 2014

	<u>General Fund</u>
Assets	
Cash and investments	\$ 844,544
Imprest cash	300
Prepaid expenses	15,478
Grants and other receivables	<u>203,962</u>
Total Assets	<u>\$ 1,064,284</u>
Liabilities	
Accounts payable and accrued expenses	\$ 75,572
Accrued payroll	<u>50,534</u>
Total Liabilities	<u>126,106</u>
Deferred Inflows of Resources	
Unearned revenue-grants and contributions	44,570
Unavailable revenue-operating grants	<u>67,959</u>
Total Deferred Inflows of Resources	<u>112,529</u>
Fund balances	
Restricted for imprest cash	300
Nonspendable-prepaid expenses	15,478
Assigned for next year budget	89,179
Unassigned	<u>720,692</u>
Total Fund Balances	<u>825,649</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,064,284</u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Total Fund Balances of governmental funds	\$	825,649
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		399,142
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds.		(52,045)
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.		<u>67,959</u>
Net position of governmental activities	\$	<u><u>1,240,705</u></u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**GOVERNMENTAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
JUNE 30, 2014**

	<u>General Fund</u>
Revenues	
Taxes	\$ 266,453
Intergovernmental	998,090
Use of money and property	161,629
Miscellaneous	21,078
Total Revenues	<u>1,447,250</u>
Expenditures Paid	
Salaries and benefits	897,811
Services and supplies	494,129
Debt service	
Principal	8,281
Interest	967
Capital outlay	<u>22,700</u>
Total Expenditures	<u>1,423,888</u>
Net Change in Fund Balance	23,362
Fund Balance, July 1, 2013	<u>802,287</u>
Fund Balance, June 30, 2014	<u><u>\$ 825,649</u></u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2014**

Net Change in Fund Balance - Total Governmental Funds \$ 23,362

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital outlay	22,700
Current year depreciation expense	(10,005)

Changes in compensated absences do not effect expenditures in the governmental funds but the change is adjusted through salary expense in the Statement of Net Position (1,810)

Changes in long-term debt do not effect liabilities in the governmental funds, but the change is adjusted through principal expense in the Statement of Net Position 8,281

Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement. 14,599

Change in net position of governmental activities \$ 57,127

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 1: Summary of Significant Accounting Policies

The Napa County Soil Conservation District (District) was organized on June 5, 1945, under Article 1.5, Division IX (currently Chapter 3, Division 9) of the Public Resources Code of the State of California. On December 14, 1971, the Board of Directors (Board) changed the District's name to the Napa County Resource Conservation District. The District is organized for the purposes in open areas, agricultural areas, urban development, wildlife areas, recreational developments, watershed management, the protection of water quality and water reclamation, the development of storage and distribution of water, and the treatment of each acre of land according to its needs. The District is governed by a Board of Directors that is selected pursuant to Government Code Section 1780. The basic operations of the District are financed by federal and state grants and local grants administered through Napa County.

The accounting policies of the Napa County Resource Conservation District conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District has defined its reporting entity in accordance with U. S. generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB Statement No. 61.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 separate columns. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

The District reports the following governmental fund:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after fiscal year-end.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the District reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Other than property taxes, the District considers revenue available if received within ninety-days after fiscal year end. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

D. Grants Receivable

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

E. Capital Assets

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives. The useful lives are as follows:

Land Improvements	20 years
Computer Equipment	3 years
Hydrologic Equipment	5 years
Field Equipment	7-20 years

F. Property Taxes

The District receives property taxes from the County of Napa (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10. Property taxes on unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of property tax distribution and this receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following minimum schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

G. Fund Equity

The unassigned fund balances for governmental fund represents the amount available for budgeting future operations. Unrestricted net position represents the net position available for future operations.

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

Restricted net position represents the net position legally identified for specific purposes.

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Employee's eligible for paid leave, which includes leave for vacation, sick days and personal necessities, include full time and part time employees that work a minimum of 20 hours per week.

During the first five years of employment, a full time employee earns seventy-eight (78) hours of vacation and sick leave each per year and cannot carry more than eighty (80) hours into the next calendar year. Those employed five to ten years and are full time with the District earn one hundred seventeen (117) hours and may not carry more than one hundred and twenty (120) into the next calendar year. For those employed over ten years and are full time with the District earn one hundred and fifty six (156) hours and may not carry more than one hundred and sixty (160) hours into the next calendar year. Upon termination of employment from the District, an employee will be paid for vacation time accrued through the employee's last day on the payroll. No portion of accrued sick leave is paid out at termination. No current portion of this the accrued vacation liability is recorded at year-end.

I. Employee Benefits and Indirect Costs

The District's Employee Benefits and Indirect Costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget Circular A-87. The District's employee benefits are allocated to grant projects as a percentage of the District's direct labor cost. Indirect costs necessary to sustain overall operations are allocated as a percentage of total allowable direct costs charged to grant projects. Contribution to indirect costs represent revenues that offset certain costs included in the Indirect Cost Pool

J. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation.

K. 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/expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash and Investments

Cash and investments at June 30, 2014, consisted of the following:

Napa County	\$ 844,544
Imprest cash	300
Total cash and investments	<u>\$ 844,844</u>

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 2: Cash and Investments (Continued)

A. Investment in Government Pool

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investment in the Napa County investment pool at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Retirements/ Adjustments	Balance June 30, 2014
Capital assets not depreciated				
Land and right of way	\$ 350,100.00	\$ -	\$ -	\$ 350,100.00
Capital assets, being depreciated:				
Vineyard land improvements	32,340	-	-	32,340
Computer equipment	25,812	-	-	25,812
Hydrologic equipment	11,447	-	-	11,447
Vineyard equipment and improvements	44,176	22,700	-	66,876
Vehicles	5,778	-	-	5,778
Total capital assets, being depreciated	119,553	22,700	-	142,253
Less accumulated depreciation	(83,206)	-	(10,005)	(93,211)
Governmental activities, capital assets, net	<u>\$ 386,447</u>	<u>\$ 22,700</u>	<u>\$ (10,005)</u>	<u>\$ 399,142</u>

Current year depreciation expense of \$10,005 was charged.

Note 4: Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements/ Adjustments	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities</b>					
Loan payable	\$ 34,532	\$ -	\$ 8,281	\$ 26,251	\$ 8,281
Compensated absences	23,984	47,455	45,645	25,794	-
Totals	<u>\$ 58,516</u>	<u>\$ 47,455</u>	<u>\$ 53,926</u>	<u>\$ 52,045</u>	<u>\$ 8,281</u>

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 4: Long-Term Liabilities (Continued)

The District's Loan payable consist of a loan agreement with the State Revolving Fund Loan Program, dated May 23, 1997 and is due in annual installments of \$9,248 on July 23 at an interest rate of 2.8%. The proceeds were used for District improvements.

The annual requirements to amortize the loan as of June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 8,513	\$ 735	\$ 9,248
2016	8,752	496	9,248
2017	8,986	262	9,248
Totals	<u>\$ 26,251</u>	<u>\$ 1,493</u>	<u>\$ 27,744</u>

Note 5: Net Position/Fund Balances

Net Position – Government-Wide Financial Statements

The government-wide financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to capital assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the District, not restricted for any project or any other purpose.

Fund Balances – Governmental Funds

The District has adopted a policy for GASB Statement No. 54, Fund Balance Reporting. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the District's various governmental funds were revised, the implementation of this standard had no effect on total fund balance.

- *Nonspendable* – The fund balance includes those amounts that are not in a spendable form or are required to be maintained intact. The District has recorded prepaid expense as Nonspendable fund balance.
- *Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources. The District has imprest cash as restricted fund balance.

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 5: Net Position/Fund Balances (Continued)  
Fund Balances – Governmental Funds (Continued)

- *Committed* – The fund balance includes amounts that can be used only for the specific purpose determined by a formal action of the government’s highest level of decision-making authority. The District has no committed fund balance.
- *Assigned* – The fund balance includes amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official, or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. The District has assigned fund balance for next years budget.
- *Unassigned* – The fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Note 6: Defined Benefit Pension Plan

A. Plan Description

The District’s defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees’ Retirement System is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The District elects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. Funding Policy

Active plan members in the District’s defined pension plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 20.44%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2013-14, the District’s annual pension cost was \$134,948 and the District actually contributed \$134,948. The required contribution for fiscal year 2013-14 was determined as part of the actuarial valuation from the effective date of the contract using entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and (c) .25% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the plan’s assets was determined using a technique that smooth’s the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan’s unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis with an average remaining period of 9 years as of the valuation date.

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
Notes to the Financial Statements  
June 30, 2014**

Note 6: Defined Benefit Pension Plan (Continued)

Fiscal Year Ending	<b>Three – Year Trend Information for the District</b>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 107,226	100%	\$ -
06/30/13	\$ 129,072	100%	\$ -
06/30/14	\$ 134,948	100%	\$ -

Note 7: Deferred Inflows of Resources

Deferred inflows of resources in governmental funds arise when potential revenue does not meet the “available” criteria for recognition in the current period. Deferred inflows of resources (deferred revenue in accrual based statements) also arises when resources are received by the District before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is exposed to various risks of loss related to general liability and workers’ compensation. Insurance for the District is secured through commercial insurance for both general liability and workers’ compensation. Settlements have not exceeded insurance coverage in any of the last three years.

Note 9: Commitments and Contingencies

Grant Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

Contingent Liability

The District is a participant in the Cal-Card, credit card program administered by U.S. Bank. As of June 30, 2014 the total credit limit available to 9 District employees was \$54,000.

Commitments

At June 30, 2014 the District has open contracts related to professional service agreements.

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 262,600	\$ 262,600	\$ 266,453	\$ 3,853
Intergovernmental	1,133,280	1,043,680	998,090	(45,590)
Use of money and property	110,000	158,000	161,629	3,629
Miscellaneous	<u>14,000</u>	<u>14,700</u>	<u>21,078</u>	<u>6,378</u>
Total Revenues	<u>1,519,880</u>	<u>1,478,980</u>	<u>1,447,250</u>	<u>(31,730)</u>
<b>Expenditures</b>				
Salaries and benefits	910,136	912,436	897,811	14,625
Services and supplies	590,250	502,550	494,129	8,421
<b>Debt Service</b>				
Principal	8,281	8,281	8,281	-
Interest	969	969	967	2
Capital outlay	<u>29,000</u>	<u>45,000</u>	<u>22,700</u>	<u>22,300</u>
Total Expenditures	<u>1,538,636</u>	<u>1,469,236</u>	<u>1,423,888</u>	<u>45,348</u>
Net Change in Fund Balance	<u>\$ (18,756)</u>	<u>\$ 9,744</u>	<u>23,362</u>	<u>\$ 13,618</u>
Fund Balance, July 1, 2013			<u>802,287</u>	
Fund Balance, June 30, 2014			<u>\$ 825,649</u>	

The accompanying note to the required supplementary information is an integral part of this schedule

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT**  
**Note to Required Supplementary Information**  
**June 30, 2014**

Budgets and Budgetary Accounting

The District is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with U.S. generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered appropriations lapse at the end of each fiscal year.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.

# LARRY BAIN, CPA

An Accounting Corporation

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## **INDEPENDENT AUDITOR'S 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  
Napa County Resource Conservation District  
Napa, California

We have audited, 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, the financial statements of the governmental activities of Napa County Resource Conservation District (the "District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2014.

### ***Internal Control over Financial Reporting***

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

This report is intended solely for the information and use of the board of directors, management, Napa County Auditor Controllers Office and the Controller's Office of the State of California.

Larry Bain, CPA,  
An Accounting Corporation  
October 3, 2014