

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Napa County Resource Conservation District  
Napa, California 94559

I have audited the accompanying financial statements of the governmental activities of Napa County Resource Conservation District as of and for the year then ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Napa County Resource Conservation District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with government 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Napa County Resource Conservation District as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 3, 2012 on my consideration of the Napa County Resource Conservation District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis, budgetary comparison information, and the information for compliance with GASB Statement No. 27 on pages 4 through 7, page 20 and page 21 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.



Charles W. Pillon, CPA

Redding, California  
October 3, 2012



# Napa County Resource Conservation District

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## Management's Discussion and Analysis October 3, 2012

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, 2011 to June 30, 2012 (hereinafter referred to as Fiscal Year 2012). 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 of Fiscal Year 2012**

During Fiscal Year 2012, the District's total net assets increased by \$ 41,457, approximately 3.75%. The District had expenses of \$1,508,417 and generated \$1,549,874 in program, tax and other revenues for governmental programs (see Table 2). For comparison, in fiscal year 2011, revenues exceeded expenses by \$38,464.

At the end of Fiscal Year 2012, the general fund had a fund balance of \$ 759,112.

There were no (\$0) additions to capital assets in Fiscal Year 2012.

The major financial components for the fiscal year ending June 30, 2012 are shown below:

### **Revenues for Fiscal Year 2012 (\$ 1,549,874)**

Program revenues (83%) include charges for services under grant contracts to state, local and federal agencies, as well as income from the District's demonstration vineyard. General revenues (17%) include county taxes, interest on funds invested in the county's pooled fund and other miscellaneous sources.

### **Expenses for Fiscal Year 2012 (\$ 1,508,417)**

Expenses for the District are broken down as follows:

• Personnel services (52%)	\$ 790,520
• Contract Expenses (34%)	513,388
• Administration/Misc. (13%)	194,504
• Depreciation (1%)	10,005
	<u>\$1,508,417</u>

### **Condensed Financial Information**

The following financial information is a condensed version of the Annual Audit Report. The Notes to the Financial Statements in the Annual Audit Report provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Financial Statements can be found starting on page 12 of the Annual Audit Report.

### Total Net Assets

The Statement of Net Assets and Governmental Fund Balance Sheet found on page 8 of the Annual Audit Report, and summarized in Table 1 of this Analysis, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

<b>Table 1</b>	<b>Net Assets (in dollars)</b>	<b><u>2011/2012</u></b>	<b><u>2010/2011</u></b>
Current and other assets		\$ 912,349	\$ 894,824
Land		350,100	350,100
Other capital assets, net of depreciation		<u>46,341</u>	<u>56,346</u>
Total assets		<u>\$1,308,790</u>	<u>\$ 1,301,270</u>
Current liabilities		\$ 95,982	\$ 127,766
Non-current liabilities		<u>66,691</u>	<u>68,844</u>
Total liabilities		<u>162,673</u>	<u>196,610</u>
Net assets:			
Invested in capital assets, net of related debt		353,854	356,023
Unrestricted		<u>792,263</u>	<u>748,637</u>
Total net assets		<u>\$1,146,117</u>	<u>\$ 1,104,660</u>

### Changes in Net Assets

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance found on page 10 of the Annual Audit Report, and summarized in Table 2 of this Analysis, presents information showing how the District's net assets changed during the fiscal year. The Annual Audit Report (page 10) 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>Changes in Net Assets (in dollars)</b>	<b><u>2011/2012</u></b>	<b><u>2010/2011</u></b>
Total operating revenues		\$1,285,347	\$1,176,231
Total operating expenses		<u>1,508,417</u>	<u>1,409,791</u>
Net operating excess (deficiency)		(223,070)	(233,560)
Total non-operating revenues		<u>264,527</u>	<u>272,024</u>
Increase in net assets		<u>\$ 41,457</u>	<u>\$ 38,464</u>

### Actual Compared to Budget

The Budgetary Comparison Schedule, found on page 21 of the Annual Audit Report, and summarized in Table 3 of this Analysis, reviews all general fund actual revenues and expenditures for the fiscal year and compares them to the annual budget. \$ 38,666 was the favorable variance in the District's excess of revenues over expenditures during Fiscal Year 2012.

Over the course of the year, the District's Board revised the District's budget several times. The amendments during the fiscal year were made to appropriations in order to facilitate operations throughout the fiscal year.

**Table 3 Actual Compared to Budget-General Funds (in dollars)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Favorable (Unfavorable) <u>Variance</u>
Operating revenues	\$1,330,670	\$1,328,088	\$1,284,981	\$ (43,107)
Operating expenses	<u>1,538,443</u>	<u>1,583,311</u>	<u>1,509,951</u>	<u>73,360</u>
Net operating deficiency	(207,773)	(255,223)	(224,970)	30,253
Non-operating revenue	<u>267,500</u>	<u>265,500</u>	<u>273,913</u>	<u>8,413</u>
Net budgeted excess/ (deficiency)	<u>\$ 59,727</u>	<u>\$ 10,277</u>	<u>\$ 48,943</u>	<u>\$ 38,666</u>

**Capital Assets**

At the end of fiscal year 2011-2012, the District had \$ 396,441 in capital assets, including land, computer equipment, a vehicle, hydrological equipment and field equipment (including depreciation). This amount represents a net decrease of \$ 10,005 over the previous fiscal year.

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

	<u>2011-2012</u>	<u>2010-2011</u>
Land	\$ 350,100	\$ 350,100
Land improvements	4,851	6,468
Computer Equipment	10,000	14,000
Vehicles	4,622	5,778
Field Equipment	<u>26,868</u>	<u>30,100</u>
Total capital assets	<u>\$ 396,441</u>	<u>\$ 406,446</u>

There were no additions to capital assets in Fiscal Year 2012.

**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, 2012 was \$ 42,587.

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

	<u>2011-2012</u>	<u>2010-2011</u>
State Revolving Fund Loan	<u>\$ 42,587</u>	<u>\$ 50,423</u>

### **Economic Factors and Fiscal Year 2013 Budget**

The District Board and management considered many factors when determining the budget for Fiscal Year 2013 (July 1, 2012 – June 30, 2013). Revenue was estimated on the basis of prior years' experience and our expectations for grant funding in this and subsequent years. The budget assumes stable staffing and we do not expect any attrition. No significant capital outlays or other extraordinary expenditures are planned.

District management believes that the revenue assumptions underlying our budget are conservative. Among the possible funding sources we have identified Fiscal Year 2013, the budget includes only those considered likely to be available this year, and tax revenues are projected to remain the same as the previous year's. Demonstration vineyard maintenance and other discretionary activity is planned to be well within the limits imposed by discretionary income. If these assumptions are borne out, the District should experience a modest increase in general fund balance in Fiscal Year 2012-13.

### **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 Assets and Governmental Fund Balance Sheet**  
**June 30, 2012**

	Governmental Fund Types General Fund	<b>GASB 34 Adjustments</b>	Statement of Net Assets
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 681,565	\$ -	\$ 681,565
Due from other governments	162,959	57,255 1	220,214
Prepaid expenses	10,570	-	10,570
Land	-	350,100 2	350,100
Other capital assets being depreciated, net	-	46,341 2	46,341
 Total assets	<b>\$ 855,094</b>	<b>\$ 453,696</b>	<b>\$ 1,308,790</b>
 <b><u>LIABILITIES</u></b>			
Accounts payable	\$ 45,854	\$ -	\$ 45,854
Accrued payroll	43,571	-	43,571
Deferred Revenue	6,557	-	6,557
Non-current liabilities:			
Due within one year	-	8,055 3	8,055
Due in more than one year	-	58,636 3	58,636
 Total liabilities	<b>95,982</b>	<b>66,691</b>	<b>162,673</b>
 <b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund balance:			
Unassigned	759,112	(759,112)	-
 Total fund balance	759,112	(759,112)	-
 Total liabilities and fund balance	<b>\$ 855,094</b>		
 <b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt		353,854	353,854
Unrestricted		792,263	792,263
 Total net assets		<b>\$ 1,146,117</b>	<b>\$ 1,146,117</b>



**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Reconciliation of Total Governmental Fund Balances**  
**To the Government-Wide Statement of Net Assets - Governmental Activities**  
**June 30, 2012**

<b>Total Governmental Fund Balances</b>		<b>\$ 759,112</b>
1. Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available resources.		
	Due from other governments	57,255
2. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.		
	Land	350,100
	Other capital assets being depreciated, net	46,341
3. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not paid with expendable available financial resources.		
	Compensated absences payable	(24,104)
	Note payable	<u>(42,587)</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$ 1,146,117</u></u></b>

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Statement of Activities and Governmental Fund**  
**Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2012**

	Governmental Fund Types General Fund	<b>GASB 34 Adjustments</b>	Statement of Activities
<b><u>EXPENDITURES/EXPENSES</u></b>			
Current:			
Salaries and benefits	\$ 784,837	\$ 5,683 1	\$ 790,520
Communications	3,437	-	3,437
Insurance	7,659	-	7,659
Maintenance of equipment	7,249	-	7,249
Memberships	5,587	-	5,587
Office expense	4,254	-	4,254
Professional/special services	513,388	-	513,388
Huichica Creek Vineyard	89,472	-	89,472
Rents/leases	24,000	-	24,000
Special department	43,788	-	43,788
Transportation and travel	2,558	-	2,558
Training and education	2,333	-	2,333
Miscellaneous	2,755	-	2,755
Capital expenditures	-	-	-
Depreciation	-	10,005 2	10,005
Debt service:			
Principal	7,836	(7,836) 3	-
Interest	1,412	-	1,412
	<u>1,500,565</u>	<u>7,852</u>	<u>1,508,417</u>
<b><u>PROGRAM REVENUES</u></b>			
Operating Grants and Contributions:			
State and local agencies	985,682	(20,447) 4	965,235
Federal agencies	220,316	20,813 4	241,129
Use of property - Huichica Creek Vineyard	78,983	-	78,983
	<u>1,284,981</u>	<u>366</u>	<u>1,285,347</u>
Net program expenditures/expenses		<u>(7,486)</u>	<u>(223,070)</u>
<b><u>GENERAL REVENUES</u></b>			
Taxes and assessments	247,408	-	247,408
Use of money	4,481	-	4,481
Donations	280	-	280
Fund raising income, net of \$5,096 in costs	7,759	-	7,759
Other revenues	4,599	-	4,599
	<u>264,527</u>	<u>-</u>	<u>264,527</u>
Excess of revenues (under) expenditures/ Changes in net assets	48,943	(7,486)	41,457
Fund balance/net assets - Beginning of year	<u>710,169</u>	<u>394,491</u>	<u>1,104,660</u>
Fund balance/net assets - End of year	<u>\$ 759,112</u>	<u>\$ 387,005</u>	<u>\$ 1,146,117</u>

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the**  
**Government-Wide Statement of Activities - Governmental Activities**  
**For The Year Ended June 30, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>48,943</b>
1. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Change in compensated absences payable		(5,683)
2. In the statement of activities, depreciation of capital assets is recorded as an allocated expense, with accumulated depreciation reflected in the Statement of Net Assets.		
		(10,005)
3. In the fund financial statements, principal repayments of financing used in governmental fund operations are accounted for as debt service expenditures of the governmental fund upon repayment.		
		7,836
4. Some revenues reported in the statement of activities will not be collected within ninety days after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds:		
Prior year billed revenues received in the current year		(56,889)
Current year revenues billed but not yet received		<u>57,255</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>41,457</u></b>

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 Board of Directors performed managerial duties. The basic operations of the District are financed by federal and state pass-through grants. In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, these operations are reflected in the General Fund.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

The District has adopted the financial reporting provisions of GASB Statement No. 34, and has presented the Management's Discussion and Analysis (MD&A) as required supplementary information.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. Using these criteria, the District has no component units.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government (District). For the most part, the effect of inter-fund activity has been removed from these statements. The District only uses governmental activities, which normally are supported by Federal and State pass-through grants or cost-reimbursement contracts and charges for use of the Huichica Creek Vineyard.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consists of Federal and State pass-through grants or cost-reimbursement contracts and charges for use of the Huichica Creek Vineyard that are restricted to meeting the operational or capital requirements of the District. Interest from investments and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's funds are organized into one major category: governmental and reflect those funds through which all of the governmental functions of the District are financed. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The following is the District's major governmental fund type:

- The General Operating Fund of the District, accounts for all financial resources of the District that are not required to be accounted for in another fund.

C. Measurement Focus and 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 and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 90 day availability period is used for revenue recognition for all other governmental fund revenues. This 90 day availability period is used as the District usually matches significant expenditures from grants with revenues as they become available during this time period. The District's revenues are recognized when susceptible to accrual, i.e., when they become measurable and available, and would include all grants sources. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

The major source of revenue for the District is from non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including Federal and State grants as discussed below:

Federal and State Grant Revenue

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.

The district reports deferred revenue on its combined balance sheet per GASB 33. As revenue is recognized monthly based on program expenditures, the liability for deferred revenue is removed from the balance sheet. This process prevents the District from recognizing revenue that would possibly have to be returned to the agency at the end of the grant period.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. 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.

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Cash and Investments

The District cash is primarily in a checking account with the County of Napa. The Napa County Treasury is an external investment pool for the District and the District is considered an involuntary participant. State statutes authorize the District and County to invest its cash surplus in obligations of the U.S. Treasury, agencies, and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Participant's equity in the investment pool is determined by the dollar amount of participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

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.

E. Due from Other Governments

In the government-wide statements, due from other governments consist of all federal and state grants and awards revenue earned at year-end and not yet received as of June 30, 2012, as well as accrual for property tax receivable from the County of Napa. Allowance for uncollectible receivables, if any, are based upon historical trends and the periodic aging of receivables.

In the fund financial statements, material receivables in the governmental funds include revenue accruals since they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

F. Non-spendable/Restricted/Committed/Assigned/Unassigned of Ending Fund Balance

Applying the requirements of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District has established the following classifications for ending fund balance:

**Un-spendable** fund balance includes those amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact. The District has no un-spendable fund balance.

**Restricted** fund balance includes amounts that can be spent only for specific purposes stipulated by external resource provider, constitutionally, or through enabling legislation. The District has no restricted fund balance.

**Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The District has no committed fund balance.

**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Non-spendable/Restricted/Committed/Assigned/Unassigned of Ending Fund Balance (Continued)

**Assigned** 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 no assigned fund balance.

**Unassigned** 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. All of the District's fund balance at June 30, 2012 is unassigned.

G. Capital Assets

Capital assets purchased by governmental funds are recorded at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at market value on the date donated. The district capitalizes assets with an original cost or donated fair market value of \$5,000 or more.

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. Depreciation of capital assets is computed and recorded by the straight-line method as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

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

H. Unearned Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

I. 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, respectively. Property taxes on the 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 thus 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 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.

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Leave Policies/Compensated Absences and Post-Employment Benefits

Employees 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. Between five and ten years of employment, a full time employee earns one hundred seventeen (117) hours of vacation and sick leave each per year. Between ten and twenty years of employment, a full time employee earns one hundred and fifty six (156) hours of vacation and sick leave each per year. After 20 years of employment, a full time employee earns one hundred and ninety five (195) hours of vacation leave per year. All employees, based on the length of employment, may not carry more than eighty (80), one hundred and twenty (120), one hundred and sixty (160) hours or two hundred (200) hours of accrued leave for 0-5 years of employment, 5-10 years, 10-20 years or greater than 20 years, respectively 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 current portion of this debt is recorded at year-end.

K. Allocation of 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 costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total allowable direct costs charged to grant projects. Contributions to indirect costs represent revenues that offset certain costs included in the Indirect Cost Pool.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

Governmental fund equity is classified as fund balance – See F above.

NOTE 2 - CASH AND INVESTMENTS

Deposits (cash and savings accounts) are carried at cost, which approximate fair value. Cash and investments at June 30, 2012 consisted of the following:

Cash with County	\$ 681,265
Imprest Cash	<u>300</u>
Total Cash and Investments	<u>\$ 681,565</u>



**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2012**

**NOTE 3 – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Other capital assets being depreciated:				
Land Improvements	\$ 32,340	\$ -	\$ -	\$ 32,340
Computer Equipment	37,177	-	-	37,177
Hydrologic Equipment	11,447	-	-	11,447
Field Equipment	44,176	-	-	44,176
Vehicles	5,778	-	-	5,778
Total other capital assets being depreciated	<u>130,918</u>	<u>-</u>	<u>-</u>	<u>130,918</u>
Less: accumulated depreciation for:				
Land Improvements	25,872	1,617	-	27,489
Computer Equipment	23,177	4,000	-	27,177
Hydrologic Equipment	11,447	-	-	11,447
Field Equipment	14,076	3,232	-	17,308
Vehicles	-	1,156	-	1,156
Total accumulated depreciation	<u>74,572</u>	<u>10,005</u>	<u>-</u>	<u>84,577</u>
Total other capital assets being depreciated, net	<u>\$ 56,346</u>	<u>\$ (10,005)</u>	<u>\$ -</u>	<u>\$ 46,341</u>

**NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES**

A summary of the non-current debt transactions for the year ended June 30, 2012, is presented below:

	Balance July 1, 2011	Increases	Reductions	Balance June 30, 2012	Due in one year
Loan Payable	\$ 50,423	\$ -	\$ 7,836	\$ 42,587	\$ 8,055
Compensated Absences	18,421	5,683	-	24,104	-
Total	<u>\$ 68,844</u>	<u>\$ 5,683</u>	<u>\$ 7,836</u>	<u>\$ 66,691</u>	<u>\$ 8,055</u>

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, 2012 was \$ 42,587.

Debt service requirements at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 8,055	\$ 1,193	\$ 9,248
2014	8,281	967	9,248
2015	8,513	735	9,248
2016	8,752	496	9,248
2017	8,986	262	9,248
Totals	<u>\$ 42,587</u>	<u>\$ 3,653</u>	<u>\$ 46,240</u>

**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2012**

NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES – (Continued)

Compensated absences consist of accrued vacation at June 30, 2012. The District's full-time employees accrue between 3 to 7.5 vacation hours every two weeks. The District's part-time employees' accrual is pro-rated based on the number of hours worked. The compensated absences accrual for the fiscal year ending June 30, 2012 is \$24,104. Although the District is not required to accrue and report the accrual of sick leave benefits, for reporting purposes the accrual at fiscal year ending June 30, 2012 is \$ 32,566.

NOTE 5 – DEFERRED COMPENSATION PLAN AND 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 is established by State statutes within the Public Employees' Retirement Law.

The District selects 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**

The District's plan is part of the Miscellaneous 2% at 60 Risk Pool, a cost-sharing multiple-employer defined benefit plan. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its member. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. 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**

Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required employer contribution for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The District's contribution rate for the indicated period is 17.968% of payroll. For fiscal year 2011-2012, the District's annual pension cost was \$107,226 and the District contributed that same amount. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members; and (c) .25% merit adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis.

NOTE 6 CONTINGENT LIABILITIES

The District has received federal, state, and other local government grants for specific purposes that are subject to review and audit by the federal and state governments. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 7 DEFERRED REVENUE**

The District has recognized a portion of their cash receipts during the fiscal year as deferred revenue. Deferred revenue typically represents a liability to the District due to the fact that the proceeds from funding sources have been received prior to the District incurring costs and "earning" the revenue. In this case, the District had three cost reimbursement contracts in place during the current fiscal year where cash was received in advance of performing the work and has recorded the portion remaining at the end of the fiscal year as deferred revenue. The total received for these contracts was \$49,618. During this fiscal year, the District incurred costs on these contracts equal to \$43,061 and has recognized this as revenue making the total deferred revenue balance at June 30, 2012 equal to \$6,557.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Budgetary Comparison Schedule**  
**Governmental Activities - General Fund**  
**For the Year Ended June 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Grants	\$ 1,240,670	\$ 1,248,088	\$ 1,205,998	\$ (42,090)
Taxes and assessments	241,000	241,000	247,408	6,408
Interest	11,000	11,000	4,481	(6,519)
Use of property - Huichica Creek Vineyard	90,000	80,000	78,983	(1,017)
Donations	500	500	280	(220)
Fund raising	9,000	9,000	17,145	8,145
Other	6,000	4,000	4,599	599
	<u>1,598,170</u>	<u>1,593,588</u>	<u>1,558,894</u>	<u>(34,694)</u>
<b><u>EXPENDITURES</u></b>				
Salaries and benefits	822,435	822,435	784,837	37,598
Communications	4,000	4,000	3,437	563
Insurance	7,000	7,000	7,659	(659)
Maintenance of equipment	10,000	10,000	7,249	2,751
Memberships	5,500	9,600	5,587	4,013
Office expense	3,000	4,500	4,254	246
Professional/special services/grant expenses	554,260	592,028	557,176	34,852
Huichica Creek Vineyard	85,000	85,000	89,472	(4,472)
Rents/leases	24,000	24,000	24,000	-
Transportation and travel	1,000	2,500	2,558	(58)
Training and education	5,000	5,000	2,333	2,667
Fund raising expenses	5,000	5,000	9,386	(4,386)
Miscellaneous	3,000	3,000	2,755	245
Equipment	-	-	-	-
Debt service:				
Principal	7,836	7,836	7,836	-
Interest	1,412	1,412	1,412	-
	<u>1,538,443</u>	<u>1,583,311</u>	<u>1,509,951</u>	<u>73,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,727</u>	<u>10,277</u>	<u>48,943</u>	<u>38,666</u>
Fund balance, beginning of year	<u>710,169</u>	<u>710,169</u>	<u>710,169</u>	<u>-</u>
Fund balance, end of year	<u>\$ 769,896</u>	<u>\$ 720,446</u>	<u>\$ 759,112</u>	<u>\$ 38,666</u>

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer**  
**Defined Benefit Plan**  
**For the Year Ended June 30, 2012**

**1. EMPLOYERS ANNUAL PENSION COSTS AND NET PENSION OBLIGATION**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	\$ 80,236	100%	\$ -
6/30/2011	81,686	100%	-
6/30/2012	107,226	100%	-

**2. RISK POOL'S FUNDING HISTORY**

<u>Valuation</u> <u>Date</u>	<u>Accrued</u> <u>Liabilities</u> <u>(AL)</u>	<u>Market Value</u> <u>of Assets</u> <u>(MVA)</u>	<u>Funded</u> <u>Ratio</u> <u>(MVA/AL)</u>
6/30/2008	\$ 532,483,463	\$ 518,569,684	97.4%
6/30/2009	582,841,869	403,326,924	69.2%
6/30/2010	624,423,437	467,903,476	74.9%

<u>Valuation</u> <u>Date</u>	<u>Accrued</u> <u>Liabilities</u> <u>(AL)</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets (AVA)</u>	<u>Unfunded</u> <u>Liabilities</u> <u>(UL)</u>	<u>Funded</u> <u>Ratio</u> <u>(AVA/AL)</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UL as a</u> <u>% of Payroll</u>
6/30/2008	\$532,483,463	\$ 513,147,099	\$ 19,336,364	96.4%	\$183,387,608	10.5%
6/30/2009	582,841,869	553,953,526	28,888,343	95.0%	184,319,666	15.7%
6/30/2010	624,423,437	594,492,164	29,931,273	95.2%	186,777,830	16.0%

**Napa County Resource Conservation District  
Note to the Required Supplementary Information  
June 30, 2012**

**A. BUDGETARY BASIS OF ACCOUNTING**

The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The Board of Directors reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the proposed budget to obtain comments from interested persons.
2. Prior to July 1, the budget is adopted through the passage of a resolution.
3. From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations. The Board of Directors may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General Fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America.

The District does not use encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

**B. EXPLANATIONS OF VARIANCE BETWEEN BUDGET AND ACTUAL**

There are no significant variations between budget and actual figures.

# Charles W. Pillon, C.P.A.

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

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

I have audited the accompanying financial statements of the governmental activities of Napa County Resource Conservation District as of and for the year then ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued my report thereon dated October 3, 2012. I conducted my 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 my audit, I considered Napa County Resource Conservation District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Napa County Resource Conservation District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Napa County Resource Conservation District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Napa County Resource Conservation District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Napa County Resource Conservation District's financial statements that is more than inconsequential will not be prevented or detected by the Napa County Resource Conservation District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Napa County Resource Conservation District's internal control.

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



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Napa County Resource Conservation District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters involving internal control and its operation that I reported to management of Napa County Resource Conservation District, in a separate letter dated October 3, 2012.

This report is intended solely for the information and use of management, the audit committee, Napa County Auditor-Controller, and federal awarding agencies and pass-through entities (if applicable) and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Charles W. Pillon", with a stylized flourish extending to the right.

Charles W. Pillon, CPA

Redding, California  
October 3, 2012