

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2013**

## TABLE OF CONTENTS

Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-8
Statement of Net Position and Governmental Funds Balance Sheet	9
Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Position – Governmental Activities	10
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	11
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities	12
Notes to Financial Statements	13-20
Required Supplemental Information: Governmental Activities – General Fund Budgetary Comparison Schedule	22
Note to the Required Supplementary Information	23
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25

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

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 994551

Redding, CA 96099

Telephone (530) 949-4177

Fax (360) 287-2647

Email: [charlie@stgministries.com](mailto:charlie@stgministries.com)

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of the governmental activities and each major fund of Napa County Resource Conservation District as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial schedules based on my audit. 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. 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Napa County Resource Conservation District as of June 30, 2013, 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.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–8 and 22 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2013, on my consideration of the County's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Charles W. Pillon, CPA

Redding, California  
September 30, 2013



# Napa County Resource Conservation District

1303 Jefferson St., Ste. 500B, Napa, CA 94559

PHONE: 707-252-4188 FAX: 707-252-4219

WEB: [www.naparcd.org](http://www.naparcd.org)

## Management's Discussion and Analysis September 30, 2013

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, 2012 to June 30, 2013 (hereinafter referred to as Fiscal Year 2013). 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 2013**

During Fiscal Year 2013, the District's total net position increased by \$ 37,461, approximately 3.27%. The District had expenses of \$1,315,799 and generated \$1,353,260 in program, tax and other revenues for governmental programs (see Table 2). For comparison, in fiscal year 2012, revenues exceeded expenses by \$41,457.

At the end of Fiscal Year 2013, the general fund had a fund balance of \$ 802,287.

There were no (\$0) additions to capital assets in Fiscal Year 2013.

The major financial components for the fiscal year ending June 30, 2013 are shown below:

### **Revenues for Fiscal Year 2013 (\$ 1,353,260)**

Program revenues (79%) 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 (21%) include county taxes, interest on funds invested in the county's pooled fund and other miscellaneous sources.

### **Expenses for Fiscal Year 2013 (\$ 1,315,799)**

Expenses for the District are broken down as follows:

• Personnel services (65%)	\$ 854,981
• Contract Expenses (24%)	315,000
• Administration/Misc. (10%)	135,813
• Depreciation (1%)	10,005
	<u>\$1,315,799</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 Financial Statements can be found starting on page 13 of the Annual Audit Report.

### Total Net Position

The Statement of Net Position and Governmental Fund Balance Sheet found on page 9 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 position. Over time, increases and decreases in 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>Net Position (in dollars)</b>	<b><u>2012/2013</u></b>	<b><u>2011/2012</u></b>
Current and other assets		\$ 960,773	\$ 912,349
Land		350,100	350,100
Other capital assets, net of depreciation		<u>36,347</u>	<u>46,341</u>
Total assets		<u>\$1,347,220</u>	<u>\$ 1,308,790</u>
Current liabilities		\$ 105,127	\$ 95,982
Non-current liabilities		<u>58,515</u>	<u>66,691</u>
Total liabilities		<u>163,642</u>	<u>162,673</u>
Net position:			
Invested in capital assets, net of related debt		351,904	353,854
Unrestricted		<u>831,674</u>	<u>792,263</u>
Total net position		<u>\$1,183,578</u>	<u>\$ 1,146,117</u>

### Changes in Net Position

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance found on page 11 of the Annual Audit Report, and summarized in Table 2 of this Analysis, presents information showing how the District's net position changed during the fiscal year. The Annual Audit Report (page 11) 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 Position (in dollars)</b>	<b><u>2012/2013</u></b>	<b><u>2011/2012</u></b>
Total operating revenues		\$1,075,055	\$1,285,347
Total operating expenses		<u>1,315,799</u>	<u>1,508,417</u>
Net operating excess (deficiency)		(240,744)	(223,070)
Total non-operating revenues		<u>278,205</u>	<u>264,527</u>
Excess of revenues over expenses/Increase in net position		<u>\$ 37,461</u>	<u>\$ 41,457</u>

### Actual Compared to Budget

The Budgetary Comparison Schedule, found on page 22 & 23 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. The District's actual net excess of revenues over expenses (i.e. net surplus) was \$43,175 for the fiscal year. This was \$23,077 below the budgeted amount of \$66,252.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Favorable (Unfavorable) Variance</u>
Operating revenues	\$1,195,524	\$1,195,524	\$1,078,951	\$(116,573)
Operating expenses	<u>1,393,322</u>	<u>1,393,322</u>	<u>1,321,735</u>	<u>71,587</u>
Net operating deficiency	(197,798)	(197,798)	(242,784)	(44,986)
Non-operating revenue	<u>264,050</u>	<u>264,050</u>	<u>285,959</u>	<u>21,909</u>
Net budgeted excess/ (deficiency)	<u>\$ 66,252</u>	<u>\$ 66,252</u>	<u>\$ 43,175</u>	<u>\$ (23,077)</u>

**Capital Assets**

At the end of fiscal year 2012-2013, the District had \$ 386,447 in capital assets (net), including land, computer equipment, a vehicle, hydrological equipment and field equipment (net of depreciation). This amount represents a net decrease of \$ 10,006 over the previous fiscal year.

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

	<u>2012-2013</u>	<u>2011-2012</u>
Land	\$ 350,100	\$ 350,100
Land improvements	3,234	4,851
Computer Equipment	6,012	10,000
Vehicles	3,466	4,622
Field Equipment	<u>23,635</u>	<u>26,868</u>
Total capital assets, net	<u>\$ 386,447</u>	<u>\$ 396,441</u>

There were no additions to capital assets in Fiscal Year 2013.

**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, 2013 was \$ 34,532.

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

	<u>2012-2013</u>	<u>2011-2012</u>
State Revolving Fund Loan	<u>\$34,532</u>	<u>\$42,587</u>

### **Economic Factors and Fiscal Year 2014 Budget**

The District Board and management considered many factors when determining the budget for Fiscal Year 2014 (July 1, 2013 – June 30, 2014). 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. A new vehicle has been budgeted.

District management believes that the revenue assumptions underlying our budget are conservative. Among the possible funding sources we have identified Fiscal Year 2014, 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 approximately no change in general fund balance in Fiscal Year 2013-14.

### **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 and Governmental Fund Balance Sheet**  
**June 30, 2013**

	Governmental Fund Types General Fund	<b>GASB 34</b> <b>Adjustments</b>	Statement of Net Assets
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 744,256	\$ -	\$ 744,256
Due from other governments	148,444	53,359 1	201,803
Deferred inflows of resources	14,714	-	14,714
Land	-	350,100 2	350,100
Other capital assets being depreciated, net	-	36,347 2	36,347
Total assets	\$ 907,414	\$ 439,806	\$ 1,347,220
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 41,399	\$ -	\$ 41,399
Accrued payroll	45,107	-	45,107
Deferred outflows of resources	18,621	-	18,621
Non-current liabilities:			
Due within one year	-	8,281 3	8,281
Due in more than one year	-	50,234 3	50,234
Total liabilities	105,127	58,515	163,642
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund balance:			
Unassigned	802,287	(802,287)	-
Total fund balance	802,287	(802,287)	-
Total liabilities and fund balance	\$ 907,414		
<b><u>NET POSITION</u></b>			
Investment in capital assets, net of related debt		351,904	351,904
Unrestricted		831,674	831,674
Total net position		\$ 1,183,578	\$ 1,183,578

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Reconciliation of Total Governmental Fund Balances**  
**To the Government-Wide Statement of Net Position - Governmental Activities**  
**June 30, 2013**

<b>Total Governmental Fund Balances</b>		<b>\$ 802,287</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	53,359
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	36,347
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	(23,984)
	Note payable	<u>(34,531)</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 1,183,578</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, 2013**

	Governmental Fund Types General Fund	<b>GASB 34</b> <b>Adjustments</b>	Statement of Activities
<b><u>EXPENDITURES/EXPENSES</u></b>			
Current:			
Salaries and benefits	\$ 855,101	\$ (120) 1	\$ 854,981
Communications	1,880	-	1,880
Insurance	8,184	-	8,184
Repairs and maintenance	2,508	-	2,508
Memberships	6,134	-	6,134
Office expense	1,155	-	1,155
Professional/special services	270,809	-	270,809
Huichica Creek Vineyard	76,306	-	76,306
Rents/leases	27,568	-	27,568
Grant/project supplies	44,191	-	44,191
Transportation and travel	4,439	-	4,439
Training and education	5,318	-	5,318
Miscellaneous	1,140	(12) 1	1,128
Depreciation	-	10,005 2	10,005
Debt service:			
Principal	8,055	(8,055) 3	-
Interest	1,193	-	1,193
	<u>1,313,981</u>	<u>1,818</u>	<u>1,315,799</u>
Total expenditures/expenses			
	<u>1,313,981</u>	<u>1,818</u>	<u>1,315,799</u>
<b><u>PROGRAM REVENUES</u></b>			
Operating Grants and Contributions:			
State and local agencies	789,212	(14,247) 4	774,965
Federal agencies	173,825	10,351 4	184,176
Use of property - Huichica Creek Vineyard	115,914	-	115,914
	<u>1,078,951</u>	<u>(3,896)</u>	<u>1,075,055</u>
Total program revenues			
	<u>1,078,951</u>	<u>(3,896)</u>	<u>1,075,055</u>
Net program expenditures/expenses		<u>(5,714)</u>	<u>(240,744)</u>
<b><u>GENERAL REVENUES</u></b>			
Taxes and assessments	257,272	-	257,272
Use of money	2,393	-	2,393
Donations	2,619	-	2,619
Fund raising income, net of \$7,754 in costs	9,733	-	9,733
Other revenues	6,188	-	6,188
	<u>278,205</u>	<u>-</u>	<u>278,205</u>
Total general revenues			
	<u>278,205</u>	<u>-</u>	<u>278,205</u>
Excess of revenues over (under) expenditures/ Changes in net position	-	(5,714)	37,461
Fund balance/net position - Beginning of year	759,112	387,005	1,146,117
Fund balance/net position - End of year	<u>\$ 802,287</u>	<u>\$ 381,291</u>	<u>\$ 1,183,578</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, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>43,175</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		132
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.		
		8,055
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		(57,255)
Current year revenues billed but not yet received		53,359
		8,055
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>37,461</u></b>

**Napa County Resource Conservation District**  
**Notes to the Financial Statements**  
**June 30, 2013**

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 position 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, 2013**

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 inflows of resources on its combined balance sheet per GASB 33. As revenue is recognized monthly based on program expenditures, the liability for deferred inflows of resources 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 position is 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, 2013**

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, 2013, 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, 2013**

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, 2013 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 Position. 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, 2013**

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 Position

Net Position is 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 Position is 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, 2013 consisted of the following:

Cash with County	\$ 743,956
Imprest Cash	<u>300</u>
Total Cash and Investments	<u>\$ 744,256</u>

**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2013**

**NOTE 3 – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Other capital assets being depreciated:				
Land Improvements	\$ 32,340	\$ -	\$ -	\$ 32,340
Computer Equipment	37,177	-	11,365	25,812
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>11,365</u>	<u>119,553</u>
Less: accumulated depreciation for:				
Land Improvements	27,489	1,617	-	29,106
Computer Equipment	27,177	4,000	11,377	19,800
Hydrologic Equipment	11,447	-	-	11,447
Field Equipment	17,308	3,233	-	20,541
Vehicles	1,156	1,156	-	2,312
Total accumulated depreciation	<u>84,577</u>	<u>10,006</u>	<u>11,377</u>	<u>83,206</u>
Total other capital assets being depreciated, net	<u>\$ 46,341</u>	<u>\$ (10,006)</u>	<u>\$ (12)</u>	<u>\$ 36,347</u>

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

A summary of the non-current debt transactions for the year ended June 30, 2013, is presented below:

	Balance July 1, 2012	Increases	Reductions	Balance June 30, 2013	Due in one year
Loan Payable	\$ 42,587	\$ -	\$ 8,055	\$ 34,532	\$ 8,281
Compensated Absences	24,104	-	120	23,984	-
Total	<u>\$ 66,691</u>	<u>\$ -</u>	<u>\$ 8,175</u>	<u>\$ 58,516</u>	<u>\$ 8,281</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, 2013 was \$ 34,532.

Debt service requirements at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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>\$ 34,532</u>	<u>\$ 2,460</u>	<u>\$ 36,992</u>

**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2013**

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

Compensated absences consist of accrued vacation at June 30, 2013. 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, 2013 is \$23,984. 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, 2013 is \$ 35,698.

NOTE 5 – 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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The District's contribution rate for the indicated period is 20.286% of payroll. For fiscal year 2012-2013, the District's annual pension cost was \$129,072 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. The remaining amortization period at June 30, 2013 was 15 years.

**Napa County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2013**

**NOTE 5 – PENSION PLAN - (Continued)**

**Three Year Trend Information:**

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 81,686	100%	\$ -
6/30/2012	107,226	100%	-
6/30/2013	\$ 129,072	100%	\$ -

During the year ended June 30, 2003, CalPERS grouped all small employers (defined as those with less than 100 members in the Plan) into risk pools. Therefore, the information for the years ended June 30, 2010, 2009 and 2008 (the latest available) are for the risk pool as a whole.

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

	6/30/2010	6/30/2009	6/30/2008
Accrued Liabilities (AL)	\$ 624,423,437	\$ 582,841,869	\$ 532,483,463
Market Value of Assets (MVA)	467,903,476	403,326,924	518,569,684
Funded Ratio (MVA/AL)	74.9%	69.2%	97.4%
<hr/>			
Accrued Liabilities (AL)	\$ 624,423,437	\$ 582,841,869	\$ 532,483,463
Actuarial Value of Assets (AVA)	594,492,164	553,953,526	513,147,099
Unfunded Liabilities (UL)	29,931,273	28,888,343	19,336,364
Funded Ratio (AVA/AL)	95.2%	95.0%	96.4%
Annual Covered Payroll	\$ 186,777,830	\$ 184,319,666	\$ 183,387,608
UL as a % of Payroll	16.0%	15.7%	10.5%

**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.

**NOTE 7 DEFERRED INFLOWS OF RESOURCES**

The District has recognized a portion of their cash receipts during the fiscal year as deferred inflows of resources. Deferred inflows of resources 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 some 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 inflows of resources. The total received for these contracts was \$44,679. During this fiscal year, the District incurred costs on these contracts equal to \$26,058 and has recognized this as revenue making the total deferred inflows of resources balance at June 30, 2013 equal to \$18,621.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Budgetary Comparison Schedule**  
**Governmental Activities - General Fund**  
**For the Year Ended June 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b><u>REVENUES</u></b>				
Grants	\$ 1,075,524	\$ 1,075,524	\$ 963,037	\$ (112,487)
Taxes and assessments	241,000	241,000	257,272	16,272
Interest	11,000	11,000	2,393	(8,607)
Use of property - Huichica Creek Vineyard	120,000	120,000	115,914	(4,086)
Donations	7,000	7,000	2,619	(4,381)
Fund raising revenues	5,000	5,000	17,487	12,487
Other	50	50	6,188	6,138
	<u>1,459,574</u>	<u>1,459,574</u>	<u>1,364,910</u>	<u>(94,664)</u>
<b><u>EXPENDITURES</u></b>				
Salaries and benefits	869,636	869,636	855,101	14,535
Communications	2,225	2,225	1,880	345
Insurance	7,900	7,900	8,184	(284)
Repair and maintenance	5,000	5,000	2,508	2,492
Memberships	2,450	2,450	6,134	(3,684)
Office expense	4,000	4,000	1,155	2,845
Professional/special services/grant expenses	368,368	368,368	315,000	53,368
Huichica Creek Vineyard	81,600	81,600	76,306	5,294
Rents/leases	28,268	28,268	27,568	700
Transportation and travel	7,755	7,755	4,439	3,316
Training and education	6,020	6,020	5,318	702
Fund raising expenses	-	-	7,754	(7,754)
Miscellaneous	850	850	1,140	(290)
Debt service:		-		
Principal	8,055	8,055	8,055	-
Interest	1,195	1,195	1,193	2
	<u>1,393,322</u>	<u>1,393,322</u>	<u>1,321,735</u>	<u>71,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,252</u>	<u>66,252</u>	<u>43,175</u>	<u>(23,077)</u>
Fund balance, beginning of year	<u>759,112</u>	<u>759,112</u>	<u>759,112</u>	<u>-</u>
Fund balance, end of year	<u>\$ 825,364</u>	<u>\$ 825,364</u>	<u>\$ 802,287</u>	<u>\$ (23,077)</u>

**Napa County Resource Conservation District  
Note to the Required Supplementary Information  
June 30, 2013**

**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**

**Operating grant revenue and professional services expenses:** The large negative variance is primarily due to less roads construction work done in the fiscal year than originally budgeted for, which resulted in lower costs for construction services.

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

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 994551

Redding, CA 96099

Telephone (530) 949-4177

Fax (360) 287-2647

Email: [charlie@stgministries.com](mailto:charlie@stgministries.com)

## 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, 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 and major fund of Napa County Resource Conservation District as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated September 30, 2013.

### **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 *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.

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

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 September 30, 2013.

### **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*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

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

Charles W. Pillon, CPA

Redding, California  
September 30, 2013