

**NAPA COUNTY RESOURCE
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2018

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and fund information which comprise the basic financial statements of Napa County Resource Conservation District as of and for the fiscal year ended June 30, 2018, and the related notes to the 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

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Napa County Resource Conservation District as of June 30, 2018, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

The Napa County Resource Conservation District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the supplementary information other than MD&A, as listed in the table of contents as the budgetary comparison for the General fund on page 20 the Napa County Resource Conservation District Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the District's Contributions on pages 21 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2019 on our consideration of the Napa County Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Napa County Resource Conservation District's internal control over financial reporting and compliance.

Larry Bain, CPA
An Accounting Corporation

February 9, 2019

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 812,907
Imprest cash	300
Grants and other receivables	325,353
Prepaid insurance	19,905
Prepaid expense	6,000
Total Current Asset	<u>1,164,465</u>
Noncurrent assets	
Capital assets-net	<u>536,407</u>
Total Assets	<u>1,700,872</u>
Deferred outflows of resources	
Deferred outflows-pensions	<u>292,783</u>
Total Deferred Outflows of Resources	<u>\$ 292,783</u>
Liabilities	
Current liabilities:	
Accounts payables	\$ 64,370
Accrued payroll	30,917
Unearned revenue-advances	72,372
Customer deposits	12,000
Total Current Liabilities	<u>179,659</u>
Noncurrent liabilities:	
Due within one year	11,707
Due in more than one year	673,422
Total Noncurrent Liabilities	<u>685,129</u>
Total Liabilities	<u>864,788</u>
Deferred inflows of resources	
Deferred inflows-pensions	<u>31,491</u>
Total Deferred inflows of resources	<u>31,491</u>
Net Position	
Net investment in capital assets	536,407
Unrestricted	560,969
Total Net Position	<u>\$ 1,097,376</u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2018

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Natural resource conservation	\$ <u>1,285,773</u>	\$ <u>67,645</u>	\$ <u>912,589</u>	\$ <u>(305,539)</u>
Total Governmental Activities	\$ <u><u>1,285,773</u></u>	\$ <u><u>67,645</u></u>	\$ <u><u>912,589</u></u>	<u><u>(305,539)</u></u>

General Revenues:

Property tax, levied for general purposes	341,639
Investment income	10,734
Miscellaneous grants and other	<u>58,042</u>
Total general revenues	<u>410,415</u>
Change in net position	<u>104,876</u>
Net position- beginning	<u>992,500</u>
Net position - ending	\$ <u><u>1,097,376</u></u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

**GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2018**

	<u>General Fund</u>
Assets	
Cash and investments	\$ 812,907
Imprest cash	300
Prepaid expenses	25,905
Grants and other receivables	325,353
Total Assets	<u>\$ 1,164,465</u>
Liabilities	
Accounts payable and accrued expenses	\$ 64,370
Accrued payroll	30,917
Unearned revenue-grant advances	72,372
Customer deposits	12,000
Total Liabilities	<u>179,659</u>
Deferred Inflows of Resources	
Unavailable revenue-operating grants	68,103
Total Deferred Inflows of Resources	<u>68,103</u>
Fund balances	
Restricted for imprest cash	300
Nonspendable-prepaid expenses	25,905
Committed	475,000
Assigned for next year budget	89,179
Unassigned	326,319
Total Fund Balances	<u>916,703</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,164,465</u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances of governmental funds	\$ 916,703
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	536,407
Deferred outflows of resources related to pensions are recorded as deferred outflows in the government wide financial statements and are not recorded in the funds	292,783
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds.	(685,128)
Deferred inflows of resources related to pensions are recorded as deferred inflows in the government wide financial statements and are not recorded in the funds	(31,491)
Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	<u>68,103</u>
Net position of governmental activities	\$ <u><u>1,097,377</u></u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2018

	General Fund
Revenues	
Taxes	\$ 341,639
Intergovernmental	811,190
Use of money and property	78,379
Miscellaneous grants and other	149,834
Total Revenues	<u>1,381,042</u>
Expenditures	
Salaries and benefits	864,207
Services and supplies	396,680
Capital outlay	<u>28,994</u>
Total Expenditures	<u>1,289,881</u>
Net Change in Fund Balance	91,161
Fund Balance, July 1, 2017	<u>825,542</u>
Fund Balance, June 30, 2018	\$ <u><u>916,703</u></u>

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018**

Net Change in Fund Balance - Total Governmental Funds	\$ 91,161
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Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

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

Capital outlay	28,994
Current year depreciation expense	(23,038)

Changes in compensated absences do not effect expenditures in the governmental funds but the change is adjusted through salary expense in the Statement of Net Position	(1,017)
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Changes in proportions from the pension do not effect expenditures in the governmental funds, but the change is adjusted through expense in the government wide statement.	(831)
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Certain revenues received after ninety days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	<u>9,607</u>
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Change in net position of governmental activities	\$ <u><u>104,876</u></u>
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The notes to the financial statements are an integral part of this statement

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

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

The District reports the following governmental fund:

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

C. Basis of Accounting

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

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

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

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

D. Grants Receivable

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

E. Capital Assets

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

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

F. Property Taxes

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

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

G. Fund Equity

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

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

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

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

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

I. Employee Benefits and Indirect Costs

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

J. Budgetary Reporting

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

K. Use of Estimates

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

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 2: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following:

Napa County	\$ 812,907
Imprest cash	300
Total cash and investments	<u>\$ 813,207</u>

A. Investment in Government Pool

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

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

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Capital assets not depreciated				
Land and right of way	\$ 350,100	\$ -	\$ -	\$ 350,100
Construction in progress				-
Capital assets, being depreciated:				
Vineyard land improvements	118,047			118,047
Computer equipment	17,195			17,195
Hydrologic equipment	31,868			31,868
Vineyard equipment and improvements	66,876			66,876
Vehicles	34,392	28,994		63,386
Infrastructure	25,999			25,999
Total capital assets, being depreciated	294,377	28,994	-	323,371
Less accumulated depreciation	(114,026)	(23,038)		(137,064)
Governmental activities, capital assets, net	<u>\$ 530,451</u>	<u>\$ 5,956</u>	<u>\$ -</u>	<u>\$ 536,407</u>

Current year depreciation expense of \$23,038 was charged.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 4: Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Net pension liability	\$ 604,444	\$ 57,272		\$ 661,716	\$ -
Compensated absences	22,396	37,161	(36,144)	23,413	11,707
Totals	<u>\$ 626,840</u>	<u>\$ 94,433</u>	<u>\$ (36,144)</u>	<u>\$ 685,129</u>	<u>\$ 11,707</u>

Note 5: Net Position/Fund Balances

Net Position – Government-Wide Financial Statements

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

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

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

Fund Balances – Governmental Funds

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

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 5: Net Position/Fund Balances (Continued)

- *Committed* – The fund balance includes amounts that can be used only for the specific purpose determined by a formal action of the government’s highest level of decision-making authority. Per resolution 2017-03, the District committed \$100,000 fund balance for capital improvements at Huichica Creek Sustainable Creek Vineyard and \$375,000 for budget stabilization.
- *Assigned* – The fund balance includes amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official, or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. The District has assigned fund balance for next years budget.
- *Unassigned* – The fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan is applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55-60	52 - 67
Monthly benefits , % of eligible compensation	1.50% to 2.00%	1.00% to 2.00%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.20%	6.53%

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the miscellaneous Plan was as follows:

Contributions-employer	\$ 67,013
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B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 661,717

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability as of measurement dates June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.01740%
Proportion - June 30, 2017	0.01679%
Change - Increase (Decrease)	-0.00061%

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

For the year ended June 30, 2018, the District recognized pension expense of \$67,013. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (12,050)
Changes of assumptions	25,372	
Net difference between projected and actual earnings on pension plan investments	103,633	
Changes in proportion	9,961	
Difference in actual and proportionate share of contributions	96,765	
District contributions subsequent to the measurement date	67,013	-
Total	<u>\$ 302,744</u>	<u>\$ (12,050)</u>

\$67,013 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period

Ended June 30:

2019	\$ (83,597)
2020	(97,785)
2021	(57,367)
2022	15,068
2023	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% - 14.20%
Investment Rate of Return	7.15%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study. Further details of the Experience Study can found on the CalPERS website.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

Discount Rate – The discount rate used to measure the total pension liability was 7.25% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.25 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.25 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.4%	-0.90%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Misc Tier I	\$ 1,031,519	\$ 661,717	\$ 355,440

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 7: Deferred Inflows of Resources

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

Note 8: Risk Management

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

Note 9: Commitments and Contingencies

Grant Contingencies

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

Contingent Liability

The District is a participant in the Cal-Card, credit card program administered by U.S. Bank. As of June 30, 2018 the total credit limit available to 9 District employees was \$54,000.

Commitments

At June 30, 2018 the District has open contracts related to professional service agreements.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 275,000	\$ 275,000	\$ 341,639	\$ 66,639
Intergovernmental	1,209,410	1,209,410	811,190	(398,220)
Use of money and property	65,000	65,000	78,379	13,379
Miscellaneous grants and other	51,900	51,900	149,834	97,934
Total Revenues	<u>1,601,310</u>	<u>1,601,310</u>	<u>1,381,042</u>	<u>(220,268)</u>
Expenditures				
Salaries and benefits	885,238	885,238	864,207	21,031
Services and supplies	681,555	665,555	396,680	268,875
Capital outlay	<u>32,000</u>	<u>48,000</u>	<u>28,994</u>	<u>19,006</u>
Total Expenditures	<u>1,598,793</u>	<u>1,598,793</u>	<u>1,289,881</u>	<u>308,912</u>
Net Change in Fund Balance	<u>\$ 2,517</u>	<u>\$ 2,517</u>	91,161	<u>\$ 88,644</u>
Fund Balance, July 1, 2017			<u>825,542</u>	
Fund Balance, June 30, 2018			<u>\$ 916,703</u>	

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018**

<u>Actuarial Valuation Date</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
6/30/2014	0.02551%	\$630,553	\$695,347	90.68%	72.95%
6/30/2015	0.01895%	\$519,872	\$674,440	77.08%	79.25%
6/30/2016	0.01740%	\$604,445	\$716,354	84.38%	80.92%
6/30/2017	0.01679%	\$661,717	\$716,082	92.41%	77.88%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2018**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
6/30/2014	\$134,948	(\$134,948)	\$0	\$695,347	19.41%
6/30/2015	\$117,030	(\$117,030)	\$0	\$674,440	17.35%
6/30/2016	\$140,763	(\$140,763)	\$0	\$716,354	19.65%
6/30/2017	\$67,013	(\$67,013)	\$0	\$716,082	9.36%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Note to Required Supplementary Information
June 30, 2018

Budgets and Budgetary Accounting

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

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

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

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

Board of Directors
Napa County Resource Conservation District
Napa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Napa County Resource Conservation District (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 9, 2019 .

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as Finding 2018-FS01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

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

Larry Bain, CPA,
An Accounting Corporation
February 9, 2019

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
Schedule of Findings
June 30, 2018

Findings Relating to Financial Statements Reported in Accordance with Government Auditing Standards

Finding 2018-FS01

Direct Cost Allocation

Condition:

During the 2017/18 fiscal year the District was applying the CalPERS contribution percentage to calculate the full hourly billable rate charged to grants based on the Classic Miscellaneous estimated total employer contribution % of project payroll. The District was also applying this rate to the PEPRA employees whose CalPERS appointment effective begin date was after January 1, 2013. The PEPRA rate is lower than the Classic rate resulting in a higher hourly rate charged to grants for the PEPRA employees.

Effect of Condition:

The condition creates a potential to overbill the grant for the difference between the classic miscellaneous percentage that is applied to the hourly rate and the PEPRA percentage that should be applied to the hourly rate for PEPRA employees.

Recommendation:

It is recommended that the District examine the percentages that are used for CalPERS when calculating the full hourly billable rate and apply the classic miscellaneous percentage to CalPERS classic employees and apply the PEPRA percentage to PEPRA employees.

Views of Responsible Officials and Planned Corrective Actions:

The District will revise full hourly billable rates so that they correctly apply the classic miscellaneous percentage to CalPERS classic employees and apply the PEPRA percentages to PEPRA employees.