NAPA COUNTY RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and fund information of the Napa County Resource Conservation District (the District), a component unit of the County of Napa (the County) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 5, 2023

The Napa County Resource Conservation District (the District) was formed as an independent special district by a resolution of the Napa County (the County) Board of Supervisors on June 18, 1945. This resolution followed the Soil Conservation Special Election held on June 5, 1945, in which 97% of votes were cast in favor of the organization of the proposed District. The District's original purpose was to help farmers and ranchers in the County tackle erosion and other problems on their land. As natural resource issues change, the District's programs continue to evolve. Today, the District helps the community achieve conservation goals by providing technical assistance, educational programs, monitoring programs, and funding sources on issues ranging from fisheries to forest health, soil management, water conservation and quality, and more.

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year with a fund balance of $1,204,236, an increase of $144,030 from the prior year. Of that amount, $375,000 is committed for budget stabilization and $300 is restricted for imprest cash, leaving $828,936 available for general District operations.

- The District received $423,437 from county-collected property taxes, an increase of $20,517 from the prior year. The District matched property tax revenue with other funding sources (grants, intergovernmental contracts, direct donations) at a ratio of 5 to 1.

- The USDA Natural Resources Conservation Service (NRCS) cooperates with and furnishes assistance to the District through several agreements. This fiscal year the District began working on a new Unfunded Cooperative Agreement for vehicle and space sharing with NRCS. The District is provided the use of NRCS vehicles for project activities, and NRCS pays for some of the District's office rent, materials, and equipment. Additionally, District staff increase the NRCS capacity to meet growing client demand for post-fire recovery assistance, conservation planning, and conservation practice implementation.

- The District received $406,170 in revenue from contracts with the County of Napa, Napa County Flood Control and Water Conservation District, City of Napa, City of St. Helena, and other local agencies to provide a range of biological, environmental, and educational services in Napa County.

- The District continued to manage its 20-acre Huichica Creek Vineyard (HCV) property located in the Carneros region of southern Napa County. Due to continuing declines in grapevine health and vigor, 9.6 acres of vines and related infrastructure were removed, leaving about 2.5 acres of healthier vines as well as cider apples in production. The Board took action to release the commitment to available fund balance of the $100,000 committed to HCV improvements. At the Board's direction, staff will request ideas from community partners for collaborative use of the property within established guidelines, and generally explore a range of options for future uses of the property.

- A few personnel changes were made in this fiscal year. The District hired a Principal Program Manager for its Forestry Program, which became its third supervisory position. The District also developed new career pathways opportunities. It was awarded its first GrizzlyCorps member (an AmeriCorps program member) for service year 2022-2023, and it developed the Teen Conservation Internship program to be launched in school year 2022-2023.

- Volunteers donated their time to help the District deliver several of its conservation and education projects, although COVID-19 greatly reduced the number of volunteer events conducted this fiscal year. This fiscal year, 1,103 volunteers contributed 1,450 hours valued at $43,500. The District also received $98,478 in cash donations.

- COVID-19 continued to motivate changes to the District's operations. For instance, a hybrid work model was implemented after the adoption of cloud-based software solutions. In accordance with local and state recommendations, the District's Board continued remote attendance at public meetings. Additionally, more attention was given to launching donor initiatives and expanding fee-for-service offerings. This included the launch of the Million Trees Napa program, the District's largest donor supported program to date.

- The District continued to support post-fire technical support for landowners impacted by the 2020 Glass and LNU Lightning Complex Fires. For instance, it provided technical assistance for the Emergency Forest Restoration Program of the USDA Farm Services Agency, and continued coordinating countywide dialogue through the Napa Pre-Fire Coordinating Group.

- The District is continuing to work to annex portions of the City of Napa that were incorporated in 1945 which are currently excluded from its District boundary, and this may impact future property tax revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Statement of Net Position; Statement of Activities; Governmental Fund Balance Sheet; and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide information about the activities of the District. The basic financial statements also include various footnote disclosures, which further describe the District's activities.

Government-Wide Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The S*tatement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*.

The S*tatement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

RSI is presented concerning the District's General Fund budgetary schedule. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Net Position

A summary of the District's Statement of Net Position is as follows:

Condensed Statement of Net Position
As of June 30

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
Assets				
Current assets	$ 1,594,896	$ 1,382,986	$ 211,910	15.3%
Noncurrent assets	455,159	472,555	(17,396)	-3.7%
Total Assets	2,050,055	1,855,541	194,514	10.5%
Deferred Outflows of Resources	184,616	189,682	(5,066)	-2.7%
Liabilities				
Current liabilities	325,845	158,233	167,612	105.9%
Noncurrent liabilities	307,333	762,961	(455,628)	-59.7%
Total Liabilities	633,178	921,194	(288,016)	-31.3%
Deferred Inflows of Resources	330,421	84,532	245,889	290.9%
Net Position				
Net investment in capital assets	455,159	472,555	(17,396)	-3.7%
Unrestricted assets	815,913	566,942	248,971	43.9%
Total Net Position	$ 1,271,072	$ 1,039,497	$ 231,575	22.3%

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceeded total liabilities by $1,271,072 as of June 30, 2022, due primarily to purchased land and cash.

Cash and investments are maintained in the County's cash and investment pool where interest earned on the District's balance is apportioned to the District.

Statement of Activities

A summary of the District's Statement of Activities, recapping the District's revenues earned during the year ended June 30, 2022, and the expenses incurred, is as follows:

Condensed Statement of Activities
For the Years Ended June 30

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Program Revenues				
Charges for services	$ 13,113	$ 105,789	$ (92,676)	-87.60%
Operating grants and contributions	1,760,611	1,246,161	514,450	41.28%
General Revenues				
Property tax	423,437	402,920	20,517	5.09%
Investment income	17,422	12,364	5,058	40.91%
Miscellaneous grants and other	278,137	227,980	50,157	22.00%
Total Revenues	2,492,720	1,995,214	497,506	24.93%
Expenses				
Natural resource conservation	2,261,145	1,991,175	269,970	13.56%
Total Expenses	2,261,145	1,991,175	269,970	13.56%
Change in Net Position	231,575	4,039	227,536	5633.47%
Net Position, Beginning of the Year	1,039,497	1,035,458	4,039	0.39%
Net Position, End of the Year	$ 1,271,072	$ 1,039,497	$ 231,575	22.28%

Financial Analysis of the District's Governmental Fund

As noted earlier, fund accounting is used by the District to ensure and demonstrate compliance with finance-related legal requirements.

The District ended the year with a fund balance of $1,204,236, an increase of $144,030 from the prior year. Of that amount, $828,936 is unassigned and available for general District operations.

BUDGETARY HIGHLIGHTS

For the year 2021-22, the District received $406,170 of its revenues from local public agencies, $423,437 from property taxes, $472,240 from federal agencies, $979,810 from state agencies, $278,137 from donations, foundation grants, and other sources, and $13,113 from charges for services. Total revenues were under final amended budget by $773,253, or 30%, and total expenditures were under final amended budget by $502,180, or 21%.

Revenues were under budget for a few reasons. Revenues from charges for services were about 9.5% of the final amended budget amount primarily because of a delay in beginning work to support the Napa and Sonoma County Farm Bureaus with implementing a group water quality monitoring plan to comply with the San Francisco Bay Regional Water Quality Control Board's Vineyard General Permit requirements. Additionally, about half of the budgeted revenues from the Regional Forest and Fire Capacity (RFFC) Program agreement with the California Department of Conservation were secured this fiscal year due a slower than anticipated launch of the program. Expenses track revenues because they are predominantly direct project expenses. Thus, the difference between budgeted and actual expenses is a result of fewer professional service costs under the charges for services and RFFC Program agreements described above.

The District executed several new agreements focused on forestry and wildfire resiliency programming including contracts with the California Department of Conservation and National Association of Conservation Districts, and it greatly ramped up its work under existing agreements with the State Coastal Conservancy and Rebuild NorthBay Foundation. The District also executed several new agreements focused on agricultural technical assistance, including one with California Department of Food and Agriculture (CDFA) to provide technical assistance to prospective applicants and awardees of CDFA's Climate Smart Agriculture programs, as well as a Memorandum of Understanding with Napa Green to support the development and monitoring of carbon farm plans for Napa Green clients. Relating to watershed health programming, the District worked with its project partner California Trout to secure additional funding to complete engineering designs and permits for the Sulphur Creek Fish Passage Improvement Project, and it was awarded a Whale Tail grant from the California Coastal Commission to expand the Stream Watch community science program. Lastly, the District made significant investments in communications, including updating its website, and partnering with neighboring Resource Conservation Districts and a communications firm to improve how it communicates about its programs to better resonate with audiences ranging from agricultural producers to funders and policy-makers.

CAPITAL ASSETS

For the year ending June 30, 2022, the District owned the 20-acre Huichica Creek Vineyard property in the Carneros region of south Napa County, as well as associated land improvements and equipment (vineyard posts, trellis system, fencing, pump). Additionally, the District owned two vehicles, computer equipment (large-scale plotter, network server), and hydrologic equipment (transducer stations, water quality sampler, data logger, rotary screw trap).

DEBT ADMINISTRATION

For the year ended June 30, 2022, the District did not have any long-term debt obligations outstanding.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

In fiscal year 2022-23, the District projects an increased operating budget over the fiscal year 2021-22 primarily due to an expansion of the District’s forestry and watershed health technical assistance programs, and a related increase in subrecipients of contracts that the District administers. The District projects an increase in revenues from state contracts, primarily due to a Regional Forest and Fire Capacity Program block grant from the Department of Conservation and a grant from the State Coastal Conservancy for the Wildfire Resilience on Napa County Protected Lands project. The District will expand its activities related to watershed health, including increased support for the Napa County Groundwater Sustainability Agency, growing the Stream Watch program, seeking planning and implementation funding to support fish passage barrier remediation and biological monitoring activities, and accelerate the implementation of the group water quality monitoring plan related to compliance with the San Francisco Bay Regional Water Quality Control Board’s Vineyard General Permit requirements. The District also anticipates an increase in cash donations and grant support for its new Million Trees Napa program and a donor-supported environmental education project in Calistoga. It does not anticipate any major changes in its revenues from local public agencies or charges for services. It anticipates a reduction in federal funding due to the conclusion of its USDA-NRCS Conservation Innovation Grant funded project and NOAA-BWET funded youth education project.

The District manages towards financial sustainability for the organization by building a reserve balance and by keeping programs and projects focused to accomplish necessary natural resource conservation in Napa County and those suited to staff expertise. The District has identified that grants, especially public agency grants, carry burdened costs that are often not captured in overhead ratios allowed by state and federal funders. Indirect cost analysis completed annually by the District demonstrates that actual indirect costs continue to increase and require adjustments in funding strategies dependent on federal and state grants. Also, a heavy reliance on public agency grants poses challenges because the sources change frequently, and cash flow can be severely affected during times of recession. Finally, due to the complexity of managing so many individual grants and contracts, in fiscal year 2022-23 the District will undertake an assessment of the roles and responsibilities, technology, and workflow of its fiscal function and identify opportunities for improvement.

Staffing changes are anticipated in fiscal year 2022-23. A new Project Manager position will be hired to support the District's forestry and wildfire resiliency program. If the District's donor campaign for its new Million Trees Napa program is successful, it will also hire a new Project Manager position to oversee it. Because the size of its staff has increased, the District will expand into an adjacent office suite, will implement some tenant improvements in two of its offices, and will update its office furniture. Lastly, because the District sees opportunities to increase service offerings in many program areas driven by new groundwater management and water quality regulations, increased public funding for forest management and habitat enhancement projects, and policy commitments to climate resiliency planning and action, it will develop a growth philosophy and 5-year vision for staffing structure to guide and manage risk related to growth.

The District contracts with the County for many of its professional services, although it maintains its own office space, computer network, website and communications systems, vehicles, equipment, and materials. The District contracts with other vendors for Information Technology support and some other professional services.

CONTACTING THE DISTRICT

These financial statements are designed to provide a general overview of the Napa County Resource Conservation District finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Napa County Resource Conservation District, 1303 Jefferson Street, #500B, Napa, California, 94559.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	$ 792,936
Imprest cash	300
Grants and other receivables	801,660
Total Current Assets	1,594,896
Noncurrent Assets:	
Capital assets, net	455,159
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows-pensions	184,616
Total Assets and Deferred Outflows of Resources	$ 2,234,671
LIABILITIES	
Current Liabilities:	
Accounts payables	$ 115,875
Accrued payroll	68,811
Unearned revenue	127,036
Due within one year	2,123
Customer deposits	12,000
Total Current Liabilities	325,845
Noncurrent Liabilities:	
Due in more than one year	307,333
Total Noncurrent Liabilities	307,333
Total Liabilities	633,178
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows-pensions	330,421
Total Deferred Inflows of Resources	330,421
NET POSITION	
Net investment in capital assets	455,159
Unrestricted	815,913
Total Net Position	1,271,072
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,234,671

The accompanying notes are an integral part of these basic financial statements.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Total
Governmental Activities:				
Natural resource conservation	$ 2,261,145	$ 13,113	$ 1,760,611	$ (487,421)
Total Governmental Activities	$ 2,261,145	$ 13,113	$ 1,760,611	(487,421)
General Revenues:				
Property tax, levied for general purposes				423,437
Investment income				17,422
Miscellaneous grants and other				278,137
Total general revenues				718,996
Change in net position				231,575
Net position - beginning				1,039,497
Net position - ending				$ 1,271,072

The accompanying notes are an integral part of these basic financial statements.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2022

	General Fund
Assets	
Cash and investments	$ 792,936
Imprest cash	300
Grants and other receivables	801,660
Total Assets	$ 1,594,896
Liabilities	
Accounts payable and accrued expenses	$ 115,875
Accrued payroll	68,811
Unearned revenue	127,036
Customer deposits	12,000
Total Liabilities	323,722
Deferred Inflows of Resources	
Unavailable revenue	66,938
Total Deferred Inflows of Resources	66,938
Fund Balance	
Restricted for imprest cash	300
Committed	375,000
Unassigned	828,936
Total Fund Balance	1,204,236
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,594,896

The accompanying notes are an integral part of these basic financial statements.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance of governmental fund (page 12)	$ 1,204,236
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 governmental fund.	455,159
Deferred outflows of resources related to pensions are recorded as deferred outflows of resources in the government-wide financial statements and are not recorded in the governmental fund.	184,616
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental fund:	
Net pension liability	(273,444)
Compensated absences	(36,012)
Deferred inflows of resources related to pensions are recorded as deferred inflows of resources in the government-wide financial statements and are not recorded in the governmental fund.	(330,421)
Certain revenues received after ninety days from the end of the year are recorded as deferred revenue in the governmental fund and as revenues in the government-wide statement.	66,938
Net position of governmental activities (page 10)	$ 1,271,072

The accompanying notes are an integral part of these basic financial statements.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
Revenues:	
Taxes	$ 423,437
Intergovernmental - Federal	472,240
Intergovernmental - State	979,810
Intergovernmental - Local Agencies	406,170
Use of money and property	17,422
Charges for services	13,113
Miscellaneous grants and other	278,137
Total Revenues	2,590,329
Expenditures:	
Salaries and benefits	1,388,170
Services and supplies	1,058,129
Total Expenditures	2,446,299
Net Change in Fund Balance	144,030
Fund Balance, July 1, 2021	1,060,206
Fund Balance, June 30, 2022	$ 1,204,236

The accompanying notes are an integral part of these basic financial statements.

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balance - governmental fund (page 14)	$	144,030
Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are 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:		
Current year depreciation expense		(17,396)
Changes in compensated absences do not affect expenditures in the governmental funds but the change is adjusted through salary expense in the Statement of Net Position.		(1,963)
Changes in proportions from the pension do not affect expenditures in the governmental fund, but the change is adjusted through expense in the government-wide statement.		204,513
Certain revenues received after ninety days from the end of the year are recorded as deferred revenue in the governmental fund and as revenues in the government-wide statement.		(97,609)
Change in net position of governmental activities (page 11)	$	231,575

The accompanying notes are an integral part of these basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Napa County Soil Conservation 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 (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 County).

The accounting policies of the 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 accounting principles generally accepted in the United States of America, 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 Governmental Accounting Standards Board (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 are 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 is available, unrestricted resources are used only after the restricted resources are depleted.

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 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 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 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 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. 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.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (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, 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 taxes. 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 balance for the governmental fund represents the amount available for budgeting future operations. Unrestricted net position represents the net position available for future operations.

Restrictions of fund balance of the governmental fund 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.

H. Compensated Absences

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 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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 accounting principles generally accepted in the United States of America 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) plans (Plans) 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.

M. New Accounting Pronouncements Implemented

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all fiscal years thereafter. The District has implemented this statement and the provisions are contained within the financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for fiscal years beginning after December 15, 2020. This statement did not impact the financial statements or disclosures of the District as the District does not have these types of transactions.

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement are effective as follows:

- The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of GASB Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of GASB Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in fiscal years beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. New Accounting Pronouncements Implemented (Continued)

This statement does not impact the financial statements or disclosures of the District as the District does not have these types of transactions.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement, except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. The requirement in paragraph 11b is effective for fiscal years ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all fiscal years thereafter. This statement did not impact the financial statements or disclosures of the District as the District does not have these types of transactions.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The requirements of this statement are effective as follows:

- The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately.
- The requirements in paragraphs 6–9 of this statement are effective for fiscal years beginning after June 15, 2021.

This statement does not impact the financial statements or disclosures of the District as the District does not have these types of transactions.

N. Future Accounting Pronouncements

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for fiscal years beginning after December 15, 2021. Earlier application is encouraged. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all fiscal years thereafter. The District has not fully judged the impact of implementation of this standard on the financial statements

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 99 – *Omnibus 2022.* The requirements of this statement are effective as follows:

- The requirements related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all fiscal years thereafter.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

N. Future Accounting Pronouncements (Continued)

Earlier application is encouraged. The District has not fully judged the impact of implementation of this standard on the financial statements

GASB Statement No. 100 – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62.* For fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Earlier application is encouraged. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 101 – *Compensated Absences.* The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Earlier application is encouraged. The District has not fully judged the impact of implementation of this standard on the financial statements.

NOTE 2 – <u>CASH AND INVESTMENTS</u>

Cash and investments at June 30, 2022, consisted of the following:

Napa County investment pool	$	792,936
Imprest cash		300
Total cash and investments	$	793,236

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 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, 2022, is as follows:

	Balance July 1, 2021	Additions	Retirement/ Adjustments	Balance June 30, 2022
Capital assets not depreciated				
Land and right of way	$ 350,100	$ -	$ -	$ 350,100
Capital assets, being depreciated:				
Vineyard land improvements	118,572	-	-	118,572
Computer equipment	17,195	-	-	17,195
Hydrologic equipment	31,868	-	-	31,868
Vineyard equipment and improvements	66,876	-	-	66,876
Vehicles	63,386	-	-	63,386
Infrastructure	25,999	-	-	25,999
Total capital assets, being depreciated	323,896	-	-	323,896
Less accumulated depreciation	(201,441)	(17,396)	-	(218,837)
Governmental activities, capital assets, net	$ 472,555	$ (17,396)	$ -	$ 455,159

Current year depreciation expense of $17,396 was charged.

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirement/ Adjustments	Balance June 30, 2022	Due Within One Year
Governmental activities					
Net pension liability	$ 728,912	$ -	$ (455,468)	$ 273,444	$ -
Compensated absences	34,049	57,296	(55,333)	36,012	2,123
Total	$ 762,961	$ 57,296	$ (510,801)	$ 309,456	$ 2,123

NOTE 5 – NET POSITION/FUND BALANCE

Net Position – Government-Wide Financial Statements

The government-wide financial statements utilize a net position presentation. Net position is 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 is attributable to capital assets reduce the balance in this category.

- *Restricted Net Position* – This category presents net position with 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.

NOTE 5 – <u>NET POSITION/FUND BALANCE</u> (Continued)

Fund Balance – Governmental Fund

The District has adopted a policy for GASB Statement No. 54, *Fund Balance Reporting*. GASB Statement No. 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 governmental fund 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* – The fund balance has 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.

- *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 $375,000 for budget stabilization.

- *Assigned* – The fund balance includes amounts *intended* to be used by the District 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 year's 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 – <u>DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN</u>

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees of the District are eligible to participate in the District's Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 6 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
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 as a % of eligible compensation	1.50% to 2.00%	1.00% to 2.50%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	8.65%	7.59%

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 both Plans are 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, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	$	87,641
Contributions-employee (paid by employer)		56,521

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans as follows:

		Proportionate Share of Net Pension Liability
Miscellaneous Plan	$	273,444

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, 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 plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 6 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (Continued)

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability as of June 30, 2022 and 2021, was as follows:

Proportion - June 30, 2021	0.01728%
Proportion - June 30, 2022	0.01440%
Change - Increase (Decrease)	(0.00288)%

For the year ended June 30, 2022, the District recognized a pension credit of $116,872. At June 30, 2022, 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	$ 30,664	$ -
Net Differences between Projected and Actual Earnings on Pension Plan Investments	-	238,702
Changes in Proportion	66,311	-
Difference in Actual and Proportionate Share of Contributions	-	91,719
District Contributions Subsequent to Measurement Date	87,641	-
Total	$ 184,616	$ 330,421

$87,641 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2023	$ (54,494)
2024	(56,297)
2025	(56,691)
2026	(65,964)
2027	-
Thereafter	-
Total	$ (233,446)

Pension Liability is anticipated to be fully funded by 2026.

B. Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a January 2020 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

NOTE 6 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN (Continued)

B. *Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions* (Continued)

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 [a]	Real Return Years 11+ [b]
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

[a] An expected inflation of 2.00% used for this period.
[b] An expected inflation of 2.92% 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%)
Miscellaneous Plan	$ 813,548	$ 273,444	$ (173,053)

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.

Commitments

At June 30, 2022, the District has open contracts related to professional service agreements.

NOTE 10 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the District paid the County, a related party, $36,006 for administrative, legal, and accounting services. The County provided funding during the year in the amount of $406,170 to offset administration costs.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 5, 2023, which is the date the basic financial statements were available to be issued. No material subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 390,000	$ 410,000	$ 423,437	$ 13,437
Intergovernmental - Federal	577,727	577,727	472,240	(105,487)
Intergovernmental - State	1,272,924	1,394,924	979,810	(415,114)
Intergovernmental - Local Agencies	561,531	553,531	406,170	(147,361)
Use of money and property	9,500	9,500	17,422	7,922
Charges for services	163,400	139,400	13,113	(126,287)
Miscellaneous grants and other	123,500	278,500	278,137	(363)
Total Revenues	3,098,582	3,363,582	2,590,329	(773,253)
Expenditures:				
Salaries and benefits	1,342,037	1,396,137	1,388,170	7,967
Services and supplies	1,340,342	1,552,342	1,058,129	494,213
Total Expenditures	2,682,379	2,948,479	2,446,299	502,180
Net Change in Fund Balance	$ 416,203	$ 415,103	144,030	$ (271,073)
Fund Balance, Beginning of the Year			1,060,206	
Fund Balance, End of the Year			$ 1,204,236	

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2022

Measurement date	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2014	0.01895%	$ 630,553	$ 695,347	90.68%	72.95%
6/30/2015	0.01740%	519,872	674,440	77.08%	79.25%
6/30/2016	0.01679%	604,445	716,354	84.38%	80.92%
6/30/2017	0.01428%	661,717	716,082	92.41%	77.88%
6/30/2018	0.01491%	538,298	680,706	79.08%	82.37%
6/30/2019	0.01604%	642,500	732,056	87.77%	77.73%
6/30/2020	0.01728%	728,912	935,914	77.88%	77.71%
6/30/2021	0.14400%	273,444	1,006,363	27.17%	90.49%

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.

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

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2022

Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered payroll	Contribution as a percentage of covered payroll
6/30/2015	$ 134,948	$ 134,948	$ -	$ 674,440	20.01%
6/30/2016	117,030	117,030	-	716,354	16.34%
6/30/2017	140,763	140,763	-	716,082	19.66%
6/30/2018	67,013	67,013	-	680,706	9.84%
6/30/2019	79,791	79,791	-	732,056	10.90%
6/30/2020	69,594	69,594	-	935,914	7.44%
6/30/2021	78,789	78,789	-	976,315	8.07%
6/30/2022	87,641	87,641	-	1,006,363	8.71%

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.

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

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Napa County Resource Conservation District (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 accounting principles generally accepted in the United States of America. 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 year.

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

INDEPENDENT AUDITOR'S 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 *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 fund information of the Napa County Resource Conservation District (the District), a component unit of the County of Napa (the County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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FRESNO
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Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 5, 2023

NAPA COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2022

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

None noted.