

**NAPA COUNTY RESOURCE  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT  
JUNE 30, 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide:	
Statement of Net Position .....	10
Statement of Activities.....	11
Governmental Fund:	
Balance Sheet.....	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	14
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15
Notes to the Financial Statements.....	16
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund .....	29
Schedule of the District's Proportionate Share of the Net Pension Liability.....	30
Schedule of the District's Pension Contributions.....	31
Note to the Required Supplementary Information .....	32
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 <i>Government Auditing Standards</i> .....	33
Schedule of Findings.....	35

---

## 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, 2023, 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, 2023, 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.

## ***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 County's internal control relating to the District. 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.

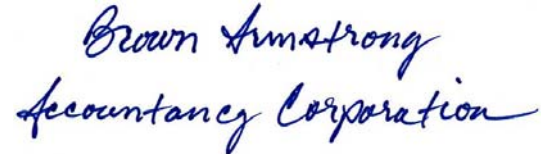
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, and 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 February 2, 2024, 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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
February 2, 2024

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 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, 2023. 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 \$1,143,294, a decrease of \$60,942 from the prior year. Of that amount, \$375,000 is committed for budget stabilization and \$300 is restricted for imprest cash, leaving \$767,994 available for general District operations.
- The District received \$449,169 from County-collected property taxes, an increase of \$25,732 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 District received \$507,630 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 USDA Natural Resources Conservation Service (NRCS) cooperates with and furnishes assistance to the District through several agreements. The District executed 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 space, 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.
- NRCS executed a new office lease for Suite 500B in the Jefferson Office Complex, which also serves as the District's principal office address, and completed a remodel of the suite. NRCS provides three workstations for District staff in this suite, and allows for additional shared uses, such as a conference room, copy room, kitchen, and lobby. Because its desk space was reduced in Suite 500B and it is anticipating hiring additional staff, the District executed a new lease including Suites 100B and 700B, which provides the District with 1,744 square feet of office space, two tandem parking spaces, and basement storage space. The District's monthly rent has increased as a result.
- The District executed an agreement with a new vineyard management company, and continued to manage its 20-acre Huichica Creek Vineyard (HCV) property located in the Carneros region of southern Napa County, albeit at a much reduced level. At the Board's direction, staff launched a Request for Ideas inviting individuals, for-profit businesses, and non-profit organizations to propose ideas for using the HCV property in a manner that meets the objectives of both the District and the proposer.

- A few personnel changes occurred in this fiscal year. The District hired a new Project Manager to expand the capacity of its Forestry Program. The District's long-time Office Manager passed away. The resulting loss in administrative capacity drove the District to execute an agreement with BDO FMA for financial and recruiting services, as well as an agreement with The Personnel Perspective for human resources services. The District also relied more heavily on Napa County financial and HR staff. The District also supervised a GrizzlyCorps member (an AmeriCorps program member), and launched its new Teen Conservation Internship program.
- Volunteers donated their time to help the District deliver several of its conservation and education projects. This fiscal year, 1,122 volunteers contributed 3,320 hours valued at \$105,576. The District also received \$98,478 in cash donations.
- The District continued to expand its regional partnerships and projects, especially in the areas of agriculture and forest health. The District is a founding member of the North Coast Soil Hub, and was active in organizational and fund development activities for the collaborative. The District administers a block grant from the California Department of Conservation for the Regional Forest and Fire Capacity Grant Program serving Colusa, Lake, Napa, Solano, and Yolo Counties, and it was instrumental in securing and managing additional funding from CAL FIRE for the North Bay Forest Improvement Program serving Lake, Mendocino, Napa, and Sonoma Counties.
- 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 *Statement 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 *Statement 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:

<b>Condensed Statement of Net Position</b>				
<b>As of June 30</b>				
	2023	2022	Increase (Decrease) \$	Increase (Decrease) %
<b>Assets</b>				
Current assets	\$ 2,211,863	\$ 1,594,896	\$ 616,967	38.7%
Noncurrent assets	680,109	455,159	224,950	49.4%
<b>Total Assets</b>	<b>2,891,972</b>	<b>2,050,055</b>	<b>841,917</b>	<b>41.1%</b>
<b>Deferred Outflows of Resources</b>	<b>495,757</b>	<b>184,616</b>	<b>311,141</b>	<b>168.5%</b>
<b>Liabilities</b>				
Current liabilities	889,867	325,845	564,022	173.1%
Noncurrent liabilities	1,127,154	307,333	819,821	266.8%
<b>Total Liabilities</b>	<b>2,017,021</b>	<b>633,178</b>	<b>1,383,843</b>	<b>218.6%</b>
<b>Deferred Inflows of Resources</b>	<b>134,376</b>	<b>330,421</b>	<b>(196,045)</b>	<b>-59.3%</b>
<b>Net Position</b>				
Net investment in capital assets	437,058	455,159	(18,101)	-4.0%
Unrestricted assets	799,274	815,913	(16,639)	-2.0%
<b>Total Net Position</b>	<b>\$ 1,236,332</b>	<b>\$ 1,271,072</b>	<b>\$ (34,740)</b>	<b>-2.7%</b>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1,236,332 as of June 30, 2023, 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, 2023, and the expenses incurred, is as follows:

	<b>Condensed Statement of Activities For the Years Ended June 30</b>			
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease) \$</u>	<u>Increase (Decrease) %</u>
Revenues				
Program Revenues				
Charges for services	\$ 112,803	\$ 13,113	\$ 99,690	760.24%
Operating grants and contributions	3,277,353	1,760,611	1,516,742	86.15%
General Revenues				
Property tax	449,169	423,437	25,732	6.08%
Investment income	13,121	17,422	(4,301)	-24.69%
Miscellaneous grants and other	184,631	278,137	(93,506)	-33.62%
Total Revenues	<u>4,037,077</u>	<u>2,492,720</u>	<u>1,544,357</u>	<u>61.95%</u>
Expenses				
Natural resource conservation	<u>4,071,817</u>	<u>2,261,145</u>	<u>1,810,672</u>	<u>80.08%</u>
Total Expenses	<u>4,071,817</u>	<u>2,261,145</u>	<u>1,810,672</u>	<u>80.08%</u>
Change in Net Position	(34,740)	231,575	(266,315)	-115.00%
Net Position, Beginning of the Year	<u>1,271,072</u>	<u>1,039,497</u>	<u>231,575</u>	<u>22.28%</u>
Net Position, End of the Year	<u>\$ 1,236,332</u>	<u>\$ 1,271,072</u>	<u>\$ (34,740)</u>	<u>-2.7%</u>

## **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 \$1,143,294, a decrease of \$60,942 from the prior year. Of that amount, \$767,994 is unassigned and available for general District operations.

## **BUDGETARY HIGHLIGHTS**

For the year 2022-23, the District received \$449,169 of its revenues from property taxes; \$507,630 from local public agencies; \$2,021,168 from state agencies; \$565,072 from federal agencies; \$184,631 from donations, foundation grants, and other sources; and \$112,803 from charges for services. Total revenues were under final amended budget by \$1,988,744, or 52%, and total expenditures were under final amended budget by \$957,655, or 23%.

Revenues were under budget for a few reasons. Primarily this is due to the fact that only 30% 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, and a disbursement of grant funding awarded by the Napa Valley Vintners was not secured until the following fiscal year. Additionally, revenues from local public agencies were about 88% of the final amended budget amount, and revenues from charges for services were about 60%. There was less than anticipated fee-for-service work related to the Napa Communities Firewise Foundation, Carneros streamgaging, and implementing a group water quality monitoring plan for the Napa and Sonoma County Farm Bureaus. Expenditures mostly track revenues because they are predominantly direct project expenses. The difference between budgeted and actual expenses is primarily a result of less pass-through funding to neighboring counties under the RFFC Program agreement. There was also fewer than anticipated expenditures on accounting services and other professional services, and the budgeted remodel of Suites 100B and 700B did not occur.

The District executed several new agreements focused on forestry and wildfire resiliency programming including contracts with the National Association of Conservation Districts for technical assistance, outreach, and training, with Rebuild NorthBay Foundation for the North Bay Forest Improvement Program and the NRCS Regional Conservation Partnership Program (RCPP), and with the California Association of Resource Conservation Districts (CARCD) for the Emergency Forest Restoration Program (EFRP). The District also continued ongoing work under agreements with the State Coastal Conservancy and CAL FIRE's LNU Unit. The District also executed several new agreements focused on agricultural technical assistance, including one with California Department of Food and Agriculture (CDFA) to provide conservation farm planning services and one with CARCD to support carbon farm and pollinator habitat planning and implementation as well as fish passage barrier remediation. Relating to watershed health programming, the District continued working with project partner California Trout to complete engineering designs and permits for the Sulphur Creek Fish Passage Improvement Project, and expanded its Stream Watch community science program with a Whale Tail grant from the California Coastal Commission. The District's board and staff had a greater focus on donor development, and increased major donor support for youth outdoor education, forest health, and general operating support. Lastly, the District completed a fiscal infrastructure review and began working on implementation of some of the findings, including documentation of current procedures, investigating new credit card and financial reporting procedures, and developing a new staffing strategy.

## **CAPITAL ASSETS**

For the year ending June 30, 2023, 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, and hydrologic equipment (transducer stations, water quality sampler, data logger, rotary screw trap). Furthermore, the District holds a right-to-use building accounted for under GASB Statement No. 87. Refer to Note 3 for additional details.

## **DEBT ADMINISTRATION**

The District's long-term obligations consist of compensated absences, lease liability, and net pension liability. Refer to Notes 4, 5, and 6, respectively, for additional details.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In fiscal year 2023-24, the District projects an increased operating budget over the fiscal year 2022-23 primarily due to an expansion of the District's agriculture, forestry, and community engagement program offerings, 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 its RFFC Program block grant from the Department of Conservation, an agreement with CAL FIRE supporting its local unit, and two CDFA grants supporting conservation farm planning and irrigation efficiency activities. 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, as well as seeking planning and implementation funding to support fish passage barrier remediation and biological monitoring activities. The District is negotiating an amendment to its Joint Powers Agreement with Napa County to expand its scope of work related to watershed health, forest health, and climate action and adaptation, it will be entering into contract with City of Napa to support climate adaptation engagement, and it is exploring an MOU with the City of St Helena to provide additional environmental services to the municipality. The District anticipates an increase in federal funding, especially in support of urban and community forestry and the Emergency Forest Restoration Program. The District also anticipates an increase in cash donations with the launch of an ad hoc Fund Development Committee and development of a major donor engagement plan.

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 the 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. The State of California has begun to cut some grant programs due to a budget deficit, while the federal government has expanded grant programs focused on natural resource conservation through the Inflation Reduction Act. Due to the complexity of managing so many individual grants and contracts, in fiscal year 2023-24 the District will hire a new Finance Manager position and continue working with consultant BDO FMA to improve fiscal systems, policies, and procedures. The District also anticipates larger overhead expenditures on professional services related to human resources, information technology, and facilitation. The District also contracts with the County for many professional services, although it maintains its own office space, computer network, website and communications systems, vehicles, equipment, and materials.

Staffing changes are anticipated in fiscal year 2023-24. As mentioned previously, the District will hire a new Finance Manager and will assess whether it also needs to hire an Office Manager to support basic administrative functions. A new Project Manager position will be hired to support the District's community engagement programming. This position will support a range of local planning efforts - such as the countywide Climate Action and Adaptation Plan, City of Napa's Urban Forestry Plan, City of Napa's Community Wildfire Protection Plan - as well as an expansion of community education programs (e.g., Watershed Symposium). The District will also consider hiring a technician level staff member to support an expansion in environmental and biological monitoring, as well as agricultural technical assistance. The District will continue its Teen Conservation Internship program by supporting four high school aged interns, and will explore other workforce development opportunities, especially related to forestry. Given that it has been growing steadily over the past 5 years, the District will study how it classifies and compensates staff, and develop a staffing strategy and new employee handbook. It will also complete a new 5-year strategic plan with additional focus on diversity, equity, and inclusion.

#### **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, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 1,095,354
Imprest cash	300
Prepaid expense	14,088
Grants and other receivables	<u>1,102,121</u>
<b>Total Current Assets</b>	<u>2,211,863</u>
Noncurrent Assets:	
Capital assets and right-to-use leased assets, net	<u>680,109</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows-pensions	<u>495,757</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$ 3,387,729</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payables	\$ 249,410
Accrued payroll	64,912
Unearned revenue	484,424
Customer deposits	12,000
Unclaimed funds	7,402
Due within one year	<u>71,719</u>
<b>Total Current Liabilities</b>	<u>889,867</u>
Noncurrent Liabilities:	
Due in more than one year	<u>1,127,154</u>
<b>Total Noncurrent Liabilities</b>	<u>1,127,154</u>
<b>Total Liabilities</b>	<u>2,017,021</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows-pensions	<u>134,376</u>
<b>Total Deferred Inflows of Resources</b>	<u>134,376</u>
<b>NET POSITION</b>	
Net investment in capital assets	437,058
Unrestricted	<u>799,274</u>
<b>Total Net Position</b>	<u>1,236,332</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 3,387,729</u></u>

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, 2023**

	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Natural resource conservation	\$ 4,071,817	\$ 112,803	\$ 3,277,353	\$ (681,661)
<b>Total Governmental Activities</b>	<b>\$ 4,071,817</b>	<b>\$ 112,803</b>	<b>\$ 3,277,353</b>	<b>(681,661)</b>

**General Revenues:**

Property tax, levied for general purposes	449,169
Investment income	13,121
Miscellaneous grants and other	184,631
	646,921
<b>Total general revenues</b>	<b>646,921</b>
<b>Change in net position</b>	<b>(34,740)</b>
<b>Net position - beginning</b>	<b>1,271,072</b>
<b>Net position - ending</b>	<b>\$ 1,236,332</b>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT  
GOVERNMENTAL FUND  
BALANCE SHEET  
JUNE 30, 2023**

	General Fund
<b>Assets</b>	
Cash and investments	\$ 1,095,354
Imprest cash	300
Prepaid expenses	14,088
Grants and other receivables	1,102,121
<b>Total Assets</b>	<b>\$ 2,211,863</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 249,410
Accrued payroll	64,912
Unearned revenue	484,424
Customer deposits	12,000
Unclaimed funds	7,402
<b>Total Liabilities</b>	<b>818,148</b>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue	250,421
<b>Total Deferred Inflows of Resources</b>	<b>250,421</b>
<b>Fund Balance</b>	
Restricted for imprest cash	300
Committed	375,000
Unassigned	767,994
<b>Total Fund Balance</b>	<b>1,143,294</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,211,863</b>

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, 2023**

Total fund balance of governmental fund (page 12)	\$ 1,143,294
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets and right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.	680,109
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.	495,757
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental fund:	
Net pension liability	(919,841)
Compensated absences	(35,981)
Lease liability	(243,051)
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.	(134,376)
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.	<u>250,421</u>
Net position of governmental activities (page 10)	<u><u>\$ 1,236,332</u></u>

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, 2023**

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes	\$ 449,169
Intergovernmental - Federal	565,072
Intergovernmental - State	2,021,168
Intergovernmental - Local Agencies	507,630
Use of money and property	13,121
Charges for services	112,803
Miscellaneous grants and other	184,631
	<u>3,853,594</u>
<b>Total Revenues</b>	<b>3,853,594</b>
<b>Expenditures:</b>	
Salaries and benefits	1,464,273
Services and supplies	1,460,766
Contributions	471,153
Community grants	490,096
Debt service:	
Principal	26,222
Interest	2,026
Capital Outlay	
Right-to-use leased assets	269,273
	<u>4,183,809</u>
<b>Total Expenditures</b>	<b>4,183,809</b>
<b>Deficiency of Revenues under Expenditures</b>	<b>(330,215)</b>
<b>Other Financing Sources:</b>	
Lease financing	269,273
	<u>269,273</u>
<b>Net Change in Fund Balance</b>	<b>(60,942)</b>
<b>Fund Balance, July 1, 2022</b>	<b>1,204,236</b>
<b>Fund Balance, June 30, 2023</b>	<b>\$ 1,143,294</b>

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, 2023**

Net change in fund balance - governmental fund (page 14) \$ (60,942)

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 or amortization 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	269,273
Current year depreciation and amortization expense	(44,323)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Lease principal payments	26,222
Lease proceeds	(269,273)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Changes in proportions from the pension	(139,211)
Changes in compensated absences	31

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.

183,483

Change in net position of governmental activities (page 11) \$ (34,740)

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**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 (the Board) changed the District's name to the Napa County Resource Conservation District (the 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 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 long-term 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 – 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, which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Property taxes on unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible 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

In the governmental fund financial statements, fund balance is classified into the following categories: nonspendable, restricted, committed, assigned, and unassigned. The unassigned fund balance within the General Fund reflects the amount available for future budgeting and appropriation. Restricted fund balance is established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

In the government-wide financial statements, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net position that is invested in capital assets, such as land, buildings, equipment, and infrastructure, net of any related debt. This component of net position indicates the extent to which the government has invested in capital assets that are used to provide services to the public. Restricted net position represents the net position legally identified for specific purposes. Unrestricted net position indicates the portion of net position that is not restricted by external constraints and is available for any lawful purpose of the District.

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.

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

### H. Compensated Absences (Continued)

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.

### 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. Leased Assets

Right-to-use leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any direct costs that are ancillary charges necessary to place the lease assets into service in accordance with GASB Statement No. 87, *Leases*.

Right-to-use leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised.

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

N. New Accounting Pronouncements Implemented

**GASB Statement No. 91 – *Conduit Debt Obligations*.** The requirements of this statement are effective for fiscal years beginning after December 15, 2021. 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. 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. 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. 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. 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. 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.

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

O. Future Accounting Pronouncements

**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. 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. The District has not fully judged the impact of implementation of this standard on the financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2023, consisted of the following:

Napa County investment pool	\$ 1,095,354
Imprest cash	<u>300</u>
Total cash and investments	<u><u>\$ 1,095,654</u></u>

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

## A. Investment in Government Pool

The District maintains all of its cash and investments with the County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County's financial statements may be obtained by contacting the County Auditor-Controller's office at 1195 Third Street, Room B-10, Napa, California 94559. The County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The District has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the District's deposit and investment risks at June 30, 2023, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

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 AND LEASED ASSETS**

A summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Retirement/ Adjustments	Balance June 30, 2023
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	(218,837)	(17,396)	-	(236,233)
Capital assets, net	105,059	(17,396)	-	87,663
Right-to-use leased assets, being amortized				
Building	-	269,273	-	269,273
Less accumulated amortization	-	(26,927)	-	(26,927)
Right-to-use leased assets, net	-	242,346	-	242,346
Total capital assets and right-to-use leased assets, net	\$ 455,159	\$ 224,950	\$ -	\$ 680,109

For the year ended June 30, 2023, depreciation expense for capital assets and amortization expense for right-to-use leased assets were \$17,369 and \$26,927, respectively.

#### **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, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirement/ Adjustments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental activities					
Net pension liability	\$ 273,444	\$ 646,397	\$ -	\$ 919,841	\$ -
Compensated absences	36,012	65,255	(65,286)	35,981	19,387
Lease liability	-	269,273	(26,222)	243,051	52,332
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 309,456</u>	<u>\$ 980,925</u>	<u>\$ (91,508)</u>	<u>\$ 1,198,873</u>	<u>\$ 71,719</u>

#### **NOTE 5 – LEASE LIABILITY**

The District has entered into one lease agreement, with a recognized inception date of January 1, 2023, as lessee for the use of 1303 Jefferson, Suite 100B & 700B. The lease term ends on December 31, 2027. An initial lease liability of \$269,273 was recorded on January 1, 2023. As of June 30, 2023, the value of the lease liability was \$243,051. The difference of \$26,222 is related to the cumulative principal portion of the lease payments made over the life of the lease. The District maintains a consistent base rent schedule under the lease agreement, with monthly payments set at \$5,708 for the entire duration of the lease term. The District is utilizing the County’s incremental borrowing rate of 1.9%.

Principal and interest payments to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 52,332	\$ 4,164
2025	53,335	3,161
2026	54,357	2,139
2027	55,399	1,097
2028-2032	<u>27,628</u>	<u>151</u>
Total	<u>\$ 243,051</u>	<u>\$ 10,712</u>

#### **NOTE 6 – 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 6 – NET POSITION/FUND BALANCE** (Continued)

### **Fund Balance – Governmental Fund**

The District has adopted a policy for GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

- *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 expenses 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 District’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 7 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN**

### 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 and can be found on the CalPERS website.

***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments (COLA), 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 COLAs for each plan are applied as specified by the Public Employees’ Retirement Law.

**NOTE 7 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN** (Continued)

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire Date	Miscellaneous	
	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	8.63%	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 the 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, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	94,677
Contributions-employee (paid by employer)		82,008

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

As of June 30, 2023, 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	\$	919,841

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, 2022, 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, 2021, rolled forward to June 30, 2022, 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 7 – 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, 2023 and 2022, was as follows:

Proportion - June 30, 2022	0.01440%
Proportion - June 30, 2023	<u>0.01966%</u>
Change - Increase (Decrease)	0.00526%

For the year ended June 30, 2023, the District recognized a pension expense of \$558,460. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 18,472	\$ 12,372
Changes of Assumptions	94,257	-
Net Differences between Projected and Actual Earnings on Pension Plan Investments	168,490	-
Changes in Proportion	119,861	-
Difference in Actual and Proportionate Share of Contributions	-	122,004
District Contributions Subsequent to Measurement Date	<u>94,677</u>	<u>-</u>
Total	<u>\$ 495,757</u>	<u>\$ 134,376</u>

The District reported \$94,677 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2024	\$ 64,534
2025	61,820
2026	37,296
2027	<u>103,054</u>
Total	<u>\$ 266,704</u>

Pension liability is anticipated to be fully funded by 2027.

**NOTE 7 – DEFINED BENEFIT PENSION COST-SHARING EMPLOYER PLAN** (Continued)

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, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90%
Mortality	Derived using CalPERS' Membership Data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until the Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 6.90 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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 7 – 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 <sup>(1,2)</sup>
Global Equity - Cap Weighted	30.00%	4.45%
Global Equity Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-Backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

<sup>(1)</sup> An expected inflation of 2.30% used for this period.

<sup>(2)</sup> Figures are based on the 2021-22 Asset Liability Management study.

**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 Plans, calculated using the discount rate for the Plans, 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% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous Plan	\$ 1,547,041	\$ 919,841	\$ 403,811

**NOTE 8 – 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 (unavailable 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 9 – 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 the Special District Risk Management Authority for both general liability and workers' compensation. Settlements have not exceeded insurance coverage in any of the last three years.

## **NOTE 10 – 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, 2023, the District has open contracts related to professional service agreements with the Napa County Farm Bureau and Land Trust of Napa County.

## **NOTE 11 – RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2023, the District paid the County, a related party, \$54,859 for administrative, accounting, information technology, and legal services. The County also paid the District during the year in the amount of \$403,456 for services provided.

## **NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 2, 2024, 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  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 402,000	\$ 402,000	\$ 449,169	\$ 47,169
Intergovernmental - Federal	416,625	466,625	565,072	98,447
Intergovernmental - State	2,767,617	3,639,617	2,021,168	(1,618,449)
Intergovernmental - Local Agencies	548,656	578,656	507,630	(71,026)
Use of money and property	12,000	12,000	13,121	1,121
Charges for services	189,100	189,100	112,803	(76,297)
Miscellaneous grants and other	249,300	554,340	184,631	(369,709)
<b>Total Revenues</b>	<b>4,585,298</b>	<b>5,842,338</b>	<b>3,853,594</b>	<b>(1,988,744)</b>
<b>Expenditures:</b>				
Salaries and benefits	1,660,361	1,528,361	1,464,273	64,088
Services and supplies	1,361,355	1,736,230	1,460,766	275,464
Contributions	857,250	948,250	471,153	477,097
Community grants	271,267	899,363	490,096	409,267
Taxes and assessments	260	260	-	260
Debt service:				
Principal	-	29,000	26,222	2,778
Interest	-	-	2,026	(2,026)
Capital outlay:				
Equipment	15,000	-	269,273	(269,273)
<b>Total Expenditures</b>	<b>4,165,493</b>	<b>5,141,464</b>	<b>4,183,809</b>	<b>957,655</b>
Deficiency of Revenues under Expenditures	419,805	700,874	(330,215)	(1,031,089)
<b>Other Financing Sources:</b>				
Lease financing	-	-	269,273	(269,273)
<b>Net Change in Fund Balance</b>	<b>\$ 419,805</b>	<b>\$ 700,874</b>	<b>(60,942)</b>	<b>\$ (1,300,362)</b>
<b>Fund Balance, Beginning of the Year</b>			<b>1,204,236</b>	
<b>Fund Balance, End of the Year</b>			<b>\$ 1,143,294</b>	

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, 2023**

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	0.01440%	273,444	1,006,363	27.17%	90.49%
6/30/2022	0.01966%	919,841	1,158,247	79.42%	78.19%

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, 2023**

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%
6/30/2023	67,057	94,677	(27,620)	1,158,247	8.17%

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 THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2023**

**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, 2023, 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 2, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control relating to the District 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 relating to the District. Accordingly, we do not express an opinion on the effectiveness of the County's internal control relating to the District.

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.

## 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 the County's 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 relating to the District. 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 relating to the District. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
February 2, 2024

NAPA COUNTY RESOURCE CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS  
JUNE 30, 2023

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

None noted.