

**NAPA COUNTY RESOURCE
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2024

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
JUNE 30, 2024**

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, 2024, 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, 2024, 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 7, 2025, on our consideration of the County's internal control over financial reporting relating to the District 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 relating to the District. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance relating to the District.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
February 7, 2025

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, 2024. 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 \$1,456,630, an increase of \$313,336 from the prior year. Of that amount, \$375,000 is committed for budget stabilization and \$300 is restricted for imprest cash, leaving \$1,081,330 available for general District operations.
- The District received \$488,025 from County-collected property taxes, an increase of \$38,856 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 \$629,961 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 governments to provide a range of biological, environmental, and educational services in Napa County. The District's Joint Powers Agreement with the County of Napa was amended to expand its role in supporting the Groundwater Sustainability Agency, watershed outreach and education, as well as climate action planning and community engagement.
- The USDA Natural Resources Conservation Service (NRCS) cooperates with and furnishes assistance to the District through several agreements. 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.
- The District continued to strengthen its regional partnerships and projects, particularly in agriculture and forest health. It executed a Memorandum of Agreement for the North Coast Soil Hub, a collaboration between the Resource Conservation Districts in Humboldt, Lake, Marin, Mendocino, Napa, and Sonoma Counties, having the purpose of advancing soil health and agricultural resilience. The District also administers a block grant from the California Department of Conservation (DOC) for the Regional Forest and Fire Capacity Grant Program, which serves Colusa, Lake, Napa, Solano, and Yolo Counties. This agreement was recently amended to include Sonoma County and increase the administrative budget. Additionally, the District facilitated the transition of the North Bay Forest Improvement Program (NBFIP), serving Napa, Sonoma, Lake, and Mendocino Counties, to a new regional fiscal administrator, Conservation Works, and helped secure an additional CAL FIRE grant for NBFIP.
- The District committed to restoring its 20-acre Huichica Creek Vineyard (HCV) property, located in the Carneros region of southern Napa County, back to native habitat. Through a public solicitation process, a consultant was selected to support the restoration planning efforts. Additionally, the District began developing strategies to secure the necessary funding for the project.

- The District experienced several personnel changes this fiscal year, reflecting its growth and evolving needs. A Community Engagement Project Manager was hired to design and implement project-based community engagement activities across various program areas while overseeing communications and marketing efforts. Additionally, a Conservation Project Manager joined the team to provide technical expertise aimed at enhancing forest health, wildlife habitat, and watershed function, while also promoting wildfire and climate resilience. To strengthen administrative capacity, the District hired two Accounting and Administration Specialists to manage responsibilities in accounting, office management, and human resources.
- The District also expanded its use of consultants for accounting, human resources, and recruitment services. In response to its growth in both staff and operating budget, the District adopted a new Employee Handbook and initiated a staffing planning process, which includes a classification and compensation study.
- The District adopted an ambitious new five-year strategic plan. As part of this process, an Ad Hoc Funding and Visibility Committee was created to provide recommendations to the Board of Directors on strategies for major donor development, exploring non-governmental funding opportunities, and advancing marketing and advocacy efforts.
- The District benefits greatly from the generous support of the community through contributions of time, materials, and financial donations. This fiscal year, 975 dedicated volunteers contributed 2,977 hours of their time, valued at \$37,645, to assist with various conservation and education projects. Additionally, the District received \$107,769 in cash donations, further supporting its mission and projects.

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:

Condensed Statement of Net Position				
As of June 30				
	2024	2023	Increase (Decrease) \$	Increase (Decrease) %
Assets				
Current assets	\$ 2,434,129	\$ 2,211,863	\$ 222,266	10.05%
Noncurrent assets	661,166	680,109	(18,943)	-2.79%
Total Assets	3,095,295	2,891,972	203,323	7.03%
Deferred Outflows of Resources	495,396	495,757	(361)	-0.07%
Liabilities				
Current liabilities	881,721	889,867	(8,146)	-0.92%
Noncurrent liabilities	1,196,282	1,127,154	69,128	6.13%
Total Liabilities	2,078,003	2,017,021	60,982	3.02%
Deferred Inflows of Resources	122,633	134,376	(11,743)	-8.74%
Net Position				
Net investment in capital assets	470,447	437,058	33,389	7.64%
Unrestricted assets	919,608	799,274	120,334	15.06%
Total Net Position	\$ 1,390,055	\$ 1,236,332	\$ 153,723	12.43%

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 \$1,390,055 as of June 30, 2024, 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, 2024, and the expenses incurred, is as follows:

Condensed Statement of Activities				
For the Years Ended June 30				
	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease) \$</u>	<u>Increase (Decrease) %</u>
Revenues				
Program revenues				
Charges for services	\$ 122,838	\$ 112,803	\$ 10,035	8.90%
Operating grants and contributions	3,810,047	3,277,353	532,694	16.25%
General revenues				
Property tax	488,025	449,169	38,856	8.65%
Investment income	38,571	13,121	25,450	193.96%
Miscellaneous grants and other	458,816	184,631	274,185	148.50%
Total Revenues	<u>4,918,297</u>	<u>4,037,077</u>	<u>881,220</u>	<u>21.83%</u>
Expenses				
Natural resource conservation	<u>4,764,574</u>	<u>4,071,817</u>	<u>692,757</u>	<u>17.01%</u>
Total Expenses	<u>4,764,574</u>	<u>4,071,817</u>	<u>692,757</u>	<u>17.01%</u>
Change in Net Position	153,723	(34,740)	188,463	542.50%
Net Position, Beginning of the Year	<u>1,236,332</u>	<u>1,271,072</u>	<u>(34,740)</u>	<u>-2.73%</u>
Net Position, End of the Year	<u>\$ 1,390,055</u>	<u>\$ 1,236,332</u>	<u>\$ 153,723</u>	<u>12.43%</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 \$1,456,630, an increase of \$313,336 from the prior year. Of that amount, \$1,081,330 is unassigned and available for general District operations.

BUDGETARY HIGHLIGHTS

For the year 2023-24, the District received \$488,025 of its revenues from property taxes; \$629,961 from local public agencies; \$3,063,334 from state agencies; \$179,992 from federal agencies; \$458,816 from donations, foundation grants, and other sources; and \$122,838 from charges for services. Total revenues were under final amended budget by \$3,252,134, or 39%, and total expenditures were under final amended budget by \$1,593,384, or 25%.

Revenues fell short of budget projections for several key reasons. Over half of the unrealized revenue stemmed from delays in work associated with multiple CAL FIRE grant agreements, which shifted into the next fiscal year. Specifically, the North Bay Forest Improvement Program experienced a transition to a new fiscal administrator, Conservation Works, resulting in a temporary work stoppage while new CAL FIRE grant agreements were awarded. Additionally, work under two other CAL FIRE agreements was delayed: vegetation management implementation under the Standard Agreement with CAL FIRE's Sonoma-Lake-Napa Unit and the Napa City Community Wildfire Protection and Capacity Planning Project. Another significant factor was the delay in advance payments for the Regional Forest and Fire Capacity (RFFC) Program agreement with the California Department of Conservation. Furthermore, the final disbursement of grant funding from the Napa Valley Vintners was not secured until the subsequent fiscal year. These delays collectively contributed to most of the variance between budgeted and actual revenues.

Expenses also came in below budget projections, largely due to several key factors. First, as described earlier, delays in CAL FIRE-funded project work led to reduced costs for professional service providers involved in those projects. Second, the delayed advance payment for the RFFC Program resulted in fewer contributions to neighboring counties subcontracted under the program. Additionally, while the District budgeted for two new finance and administrative staff, challenges in the hiring process meant these positions were filled only at the very end of the fiscal year. For most of the year, the District operated without dedicated accounting staff, instead relying on a financial services provider and an enhanced partnership with the Napa County Finance Department. Lastly, the District postponed the purchase of some major project equipment, further contributing to the variance in expenses.

The District successfully wrapped up several major projects this fiscal year. Notably, it nearly completed engineering designs and environmental compliance for the Sulphur Creek Fish Passage Improvement Project, focusing on securing grants to implement this project and advance other fish passage improvement priorities. Additionally, the District fulfilled nearly all its obligations for the Wildfire Resilience on Napa County Protected Lands Project, funded by the State Coastal Conservancy, and completed much of the technical assistance required under the Emergency Forest Restoration Program (EFRP) for landowners impacted by the 2020 wildfires.

Several new grant agreements were awarded to the District, while two major existing agreements were amended. Key highlights include:

- **Water Efficiency Technical Assistance (WETA) Grant:** Awarded by the California Department of Food and Agriculture (CDFA), this grant enables the District to assist farmers in Napa, Solano, Lake, and Sonoma Counties with improving nutrient and water use efficiency. The District serves as the grant administrator and collaborates with Resource Conservation Districts in the other counties to deliver the project regionally.
- **Urban and Community Forestry Grant:** Partnering with the Cities of American Canyon, Napa, and St. Helena, as well as several non-profits, the District secured a U.S. Forest Service grant to expand urban and community forestry initiatives across these jurisdictions.
- **Partnership with City of Napa:** The District deepened its collaboration with the City of Napa through a CAL FIRE Wildfire Prevention grant supporting community wildfire protection planning and a new agreement to assist with climate action community engagement.

Key amendments to existing agreements included:

- **RFFC Program Agreement:** Expanded to include Sonoma County in the scope and budget, with an increased administrative budget for the District.
- **Napa County Joint Powers Agreement:** Amended to bolster support for the Groundwater Sustainability Agency and enhance watershed outreach and education efforts.

CAPITAL ASSETS

For the year ending June 30, 2024, the District owned the 20-acre Huichica Creek Vineyard property in the Carneros region of south Napa County, but removed all vineyard and associated equipment (vineyard posts, trellis system, fencing) in preparation for restoring the property to native habitat. Additionally, the District owned two vehicles, computer equipment, as well as hydrologic and environmental monitoring equipment (transducer stations, water quality sampler, data logger, rotary screw trap, electrofisher, PIT tag antenna). 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 2024-25, the District anticipates an increased operating budget compared to 2023-24, driven by several key initiatives. These include the launch of the Napa River Watershed Fish Passage Restoration Program, the continued expansion of forestry and agriculture program offerings, and an enhanced mandate to support local groundwater sustainability and climate action goals through an amended Napa County Joint Powers Agreement and new partnerships with local cities. A significant boost to the budget comes from the \$7.6 million in grant funding awarded for the Fish Passage Restoration Program through NOAA's Restoring Fish Passage through Barrier Removal Grant and the California Wildlife Conservation Board. This program will require extensive use of professional services, including engineering, environmental compliance, construction management, and construction. Combined, the NOAA grant and the RFFC Program agreement with the State are expected to account for 56% of the District's revenues in fiscal year 2024-25. Federal funding is projected to increase significantly compared to previous years, fueled primarily by the NOAA grant and new funding from the U.S. Forest Service. Additional revenues for forestry programs will stem from completing work under the Standard Agreement with CAL FIRE's Sonoma-Lake-Napa Unit, advancing the Napa City Community Wildfire Protection and Capacity Planning Project, and launching a new regional forestry block grant funded by the State Coastal Conservancy. Moreover, the District will expand its conservation farm planning and irrigation efficiency activities, supported by multiple CDFA grants and grant-funded partnerships with academic institutions.

Over the past six years, the District has experienced steady growth in its operating budget, number of projects and contracts, and staff size. This expansion has necessitated improvements to financial and administrative systems, policies, and procedures, as well as enhanced collaboration with Napa County finance, human resources, and legal staff. To meet its growing needs, the District has increasingly relied on specialized consultant services in these areas. For nearly a year, the District operated without permanent employees in accounting and administrative roles, making the onboarding and training of new staff a key priority. Once fully trained, the District plans to implement significant system and process improvements. Its recently completed strategic plan anticipates further growth, prompting a staff planning process and a classification and compensation study to ensure adequate resourcing for programs, administrative functions, fund development, and communications. Additionally, the increase in federal funding will require the District to adopt more robust financial management practices to meet grant compliance and reporting standards, and undergo its first federal audit.

The District is committed to ensuring long-term financial sustainability by building a reserve balance and maintaining a focused approach to programs and projects that address critical natural resource conservation needs in the County, while leveraging staff expertise. However, the District has identified that many grants, particularly those from public agencies, often do not fully capture the burdened costs associated with program administration due to overhead ratio limitations imposed by state and federal funders. Annual indirect cost analyses show a continued increase in these costs, necessitating adjustments to the District's funding strategies, especially for federal and state grants. The District's reliance on public agency grants also presents challenges, as funding sources can change frequently and cash flow may be severely impacted during economic downturns. While the Biden Administration expanded natural resource conservation grant programs through the Inflation Reduction Act, there are concerns that the incoming Trump Administration may seek to reduce or eliminate these programs. At the state level, a recent budget deficit reduced grant funding for natural resources and climate initiatives; however, Proposition 4 was passed, allowing the state to sell a \$10 billion bond to support these efforts. To diversify its funding sources, the District has formed a new Ad Hoc Funding and Visibility Committee, which is focused on increasing donor support during its 80th anniversary year. The Committee has set ambitious fundraising targets and, to meet these goals, the District will need to bring on specialized consultants to develop a donor engagement strategy, as well as the messaging, collateral, and processes necessary to ensure success.

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, 2024**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 1,010,790
Imprest cash	300
Prepaid expense	54,667
Grants and other receivables	1,368,372
Total Current Assets	2,434,129
Noncurrent Assets:	
Capital assets and right-to-use leased assets, net	661,166
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	495,396
Total Assets and Deferred Outflows of Resources	\$ 3,590,691
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 205,340
Accrued payroll	96,621
Unearned revenue	480,955
Unclaimed funds	7,402
Compensated absences	38,068
Lease liability	53,335
Total Current Liabilities	881,721
Noncurrent Liabilities:	
Net pension liability	1,053,899
Compensated absences	4,999
Lease liability	137,384
Total Noncurrent Liabilities	1,196,282
Total Liabilities	2,078,003
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	122,633
Total Deferred Inflows of Resources	122,633
NET POSITION	
Net Investment in Capital Assets	470,447
Unrestricted	919,608
Total Net Position	1,390,055
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,590,691

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, 2024**

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Total
Governmental Activities:				
Natural resource conservation	\$ 4,764,574	\$ 122,838	\$ 3,810,047	\$ (831,689)
Total Governmental Activities	<u>\$ 4,764,574</u>	<u>\$ 122,838</u>	<u>\$ 3,810,047</u>	<u>(831,689)</u>
General Revenues:				
Property tax, levied for general purposes				488,025
Investment income				38,571
Miscellaneous grants and other				<u>458,816</u>
Total general revenues				<u>985,412</u>
Change in net position				153,723
Net position - beginning				<u>1,236,332</u>
Net position - ending				<u>\$ 1,390,055</u>

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

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2024**

	<u>General Fund</u>
Assets	
Cash and investments	\$ 1,010,790
Imprest cash	300
Prepaid expenses	54,667
Grants and other receivables	<u>1,368,372</u>
Total Assets	<u><u>\$ 2,434,129</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 205,340
Accrued payroll	96,621
Unearned revenue	480,955
Unclaimed funds	<u>7,402</u>
Total Liabilities	<u>790,318</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>187,181</u>
Total Deferred Inflows of Resources	<u>187,181</u>
Fund Balance	
Restricted for imprest cash	300
Committed	375,000
Unassigned	<u>1,081,330</u>
Total Fund Balance	<u>1,456,630</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 2,434,129</u></u>

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, 2024**

Total fund balance of governmental fund (page 12)	\$ 1,456,630
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.	661,166
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.	495,396
Long-term obligations are not due and payable in the current period and therefore are not reported in the governmental fund:	
Net pension liability	(1,053,899)
Compensated absences	(43,067)
Lease liability	(190,719)
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.	(122,633)
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>187,181</u>
Net position of governmental activities (page 10)	<u><u>\$ 1,390,055</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, 2024**

	<u>General Fund</u>
Revenues:	
Taxes	\$ 488,025
Intergovernmental - Federal	179,992
Intergovernmental - State	3,063,334
Intergovernmental - Local Agencies	629,961
Use of money and property	38,571
Charges for services	122,838
Miscellaneous grants and other	<u>458,816</u>
Total Revenues	<u>4,981,537</u>
Expenditures:	
Salaries and benefits	1,648,256
Services and supplies	1,447,265
Contributions	937,072
Community grants	529,930
Debt service:	
Principal	52,332
Interest	4,164
Capital outlay:	
Equipment and vehicles	<u>49,182</u>
Total Expenditures	<u>4,668,201</u>
Net Change in Fund Balance	313,336
Fund Balance, July 1, 2023	<u>1,143,294</u>
Fund Balance, June 30, 2024	<u><u>\$ 1,456,630</u></u>

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, 2024**

Net change in fund balance - governmental fund (page 14)	\$	313,336
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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		49,182
Current year depreciation and amortization expense		(68,125)

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		52,332
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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		(122,676)
Changes in compensated absences		(7,086)

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>(63,240)</u>
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Change in net position of governmental activities (page 11)	\$	<u><u>153,723</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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 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 Balance/Net Position

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 appropriable 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. 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 implemented this standard during the fiscal year but did not have any changes or corrections to report.

O. Future Accounting Pronouncements

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.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. This statement enhances transparency by requiring governments to disclose information about risks that could significantly impact their ability to provide services and meet obligations. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 103 – *Financial Reporting Model*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement improves financial reporting by enhancing the effectiveness of the financial reporting model through updated recognition and measurement requirements, as well as clarified display and disclosure requirements. The District has not fully judged the impact of implementation of this standard on the financial statements.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. This statement requires separate disclosure of certain types of capital assets including lease assets, intangible right-to-use assets, subscription-based information technology assets, and other intangible assets, as well as establishing new requirements for capital assets held for sale. 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, 2024, consisted of the following:

Napa County investment pool	\$ 1,010,790
Imprest cash	<u>300</u>
Total cash and investments	<u><u>\$ 1,011,090</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, 2024, 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 and leased assets for the year ended June 30, 2024, is as follows:

	Balance July 1, 2023	Additions	Retirement/ Adjustments	Balance June 30, 2024
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	40,332	-	57,527
Hydrologic equipment	31,868	-	-	31,868
Vineyard equipment and improvements	66,876	-	-	66,876
Vehicles	63,386	8,850	-	72,236
Infrastructure	25,999	-	-	25,999
Total capital assets, being depreciated	323,896	49,182	-	373,078
Less accumulated depreciation	(236,233)	(14,271)	-	(250,504)
Capital assets, net	87,663	34,911	-	122,574
Right-to-use leased assets, being amortized				
Building	269,273	-	-	269,273
Less accumulated amortization	(26,927)	(53,854)	-	(80,781)
Right-to-use leased assets, net	242,346	(53,854)	-	188,492
Total capital assets and right-to-use leased assets, net	\$ 680,109	\$ (18,943)	\$ -	\$ 661,166

For the year ended June 30, 2024, depreciation expense for capital assets and amortization expense for right-to-use leased assets were \$14,271 and \$53,854, 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, 2024:

	Balance July 1, 2023	Additions	Retirement/ Adjustments	Balance June 30, 2024	Due Within One Year
Governmental activities					
Net pension liability	\$ 919,841	\$ 134,058	\$ -	\$ 1,053,899	\$ -
Compensated absences	35,981	65,629	(58,543)	43,067	38,068
Lease liability	243,051	-	(52,332)	190,719	53,335
Total	<u>\$ 1,198,873</u>	<u>\$ 199,687</u>	<u>\$ (110,875)</u>	<u>\$ 1,287,685</u>	<u>\$ 91,403</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, Suites 100B and 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, 2024, the value of the lease liability was \$190,719. The difference of \$78,554 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:

Fiscal Year Ending June 30,	Principal	Interest
2025	\$ 53,335	\$ 3,161
2026	54,357	2,139
2027	55,399	1,097
2028	27,628	151
Total	<u>\$ 190,719</u>	<u>\$ 6,548</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/amortization 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 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS

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 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (Continued)**A. General Information about the Pension Plans** (Continued)

The Plans' provisions and benefits in effect at June 30, 2024, 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%	7.75%
Required employer contribution rates	10.10%	7.68%

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, 2024, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions - employer	\$ 108,852
Contributions - employee (paid by employer)	98,239

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

As of June 30, 2024, 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	\$ 1,053,899

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, 2023, 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, 2022, rolled forward to June 30, 2023, 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 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (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, 2024 and 2023, was as follows:

Proportion - June 30, 2023	0.01966%
Proportion - June 30, 2024	<u>0.02108%</u>
Change - Increase (Decrease)	<u><u>0.00142%</u></u>

For the year ended June 30, 2024, the District recognized a pension expense of \$231,528. At June 30, 2024, 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>
Changes of Assumptions	\$ 63,629	\$ -
Differences between Expected and Actual Experience	53,839	8,352
Net Differences between Projected and Actual Earnings on Investment Earnings	170,635	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	114,281
Change in Proportion	98,441	-
District Contributions Subsequent to Measurement Date	<u>108,852</u>	<u>-</u>
Total	<u><u>\$ 495,396</u></u>	<u><u>\$ 122,633</u></u>

The District reported \$108,852 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, 2025. 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>Fiscal Year Ending June 30,</u>	
2025	\$ 81,084
2026	54,597
2027	123,334
2028	4,896
2029	-
Thereafter	<u>-</u>
Total	<u><u>\$ 263,911</u></u>

Pension liability is anticipated to be fully funded by 2028.

NOTE 7 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (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, 2022 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
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 – COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS (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 ^(1,2)
Global Equity - Cap Weighted	30.00%	4.54%
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%	

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ 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	\$ 1,739,859	\$ 1,053,899	\$ 489,295

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, 2024, 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, 2024, the District paid the County, a related party, \$53,842 for administrative, accounting, information technology, and legal services. The County also paid the District \$475,780 during the year for services provided.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 7, 2025, 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, 2024**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ 444,999	\$ 444,999	\$ 488,025	\$ 43,026
Intergovernmental - Federal	314,381	424,381	179,992	(244,389)
Intergovernmental - State	2,799,215	5,780,765	3,063,334	(2,717,431)
Intergovernmental - Local Agencies	572,726	633,226	629,961	(3,265)
Use of money and property	20,000	20,000	38,571	18,571
Charges for services	148,800	173,800	122,838	(50,962)
Miscellaneous grants and other	707,000	756,500	458,816	(297,684)
Total Revenues	5,007,121	8,233,671	4,981,537	(3,252,134)
Expenditures:				
Salaries and benefits	1,962,399	1,962,399	1,648,256	314,143
Services and supplies	1,088,640	1,886,640	1,447,265	439,375
Contributions	1,277,803	1,877,803	937,072	940,731
Community grants	171,500	421,500	529,930	(108,430)
Debt service:				
Principal	60,243	60,243	52,332	7,911
Interest	-	-	4,164	(4,164)
Capital outlay:				
Equipment and vehicles	165,000	53,000	49,182	3,818
Total Expenditures	4,725,585	6,261,585	4,668,201	1,593,384
Net Change in Fund Balance	<u>\$ 281,536</u>	<u>\$ 1,972,086</u>	313,336	<u>\$ (1,658,750)</u>
Fund Balance, Beginning of the Year			<u>1,143,294</u>	
Fund Balance, End of the Year			<u>\$ 1,456,630</u>	

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, 2024**

<u>Measurement date</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability</u>	<u>District's covered payroll</u>	<u>District's proportionate share of the net pension liability as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
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%
6/30/2023	0.02108%	1,053,899	1,228,109	85.81%	77.97%

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2024**

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%
6/30/2024	60,906	108,852	(47,946)	1,228,109	8.86%

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024, 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 7, 2025.

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) relating to the District 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 the 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.

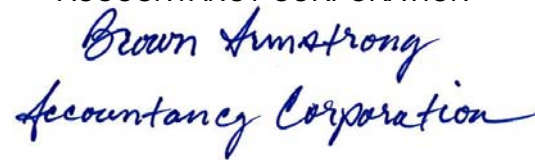
Report on Compliance and Other Matters

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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
February 7, 2025

**NAPA COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS
JUNE 30, 2024**

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

None noted.