

**RESOURCE CONSERVATION DISTRICT
OF GREATER SAN DIEGO COUNTY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2016

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
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INTRODUCTORY SECTION



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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Resource Conservation District
of Greater San Diego County
Lakeside, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Resource Conservation District of Greater San Diego County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Resource Conservation District of Greater San Diego County as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Resource Conservation District of Greater San Diego County's basic financial statements.

The combining financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2017 on our consideration of Resource Conservation District of Greater San Diego County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Resource Conservation District of Greater San Diego County's internal control over financial reporting and compliance.

El Cajon, California
May 15, 2017

FINANCIAL SECTION

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS		
Cash in Local Agency Investment Fund	\$	1,306,739
Cash In Bank and On Hand		105,830
Accounts Receivable		162,166
Prepaid Expenses		4,000
Capital Assets:		
Land		110,000
Buildings		505,000
Building Improvements		561,046
Vehicles		68,140
Furniture and Equipment		42,178
Less: Accumulated Depreciation		<u>(268,922)</u>
TOTAL ASSETS	\$	<u>2,596,177</u>
 LIABILITIES		
Accounts Payable	\$	16,796
Compensated Absences		20,868
Unearned Revenues		<u>21,681</u>
TOTAL LIABILITIES		<u>59,345</u>
 NET POSITION		
Invested in Capital Assets		1,017,442
Unrestricted		<u>1,519,390</u>
TOTAL NET POSITION	\$	<u><u>2,536,832</u></u>

The accompanying notes are an integral part of this statement

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
STATEMENT OF ACTIVITIES
JUNE 30, 2016

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Governmental Activities:					
Program Services	\$ 352,708	\$ -	\$ 403,121	\$ -	\$ 50,413
General Administration	355,471	-	-	-	(355,471)
Depreciation - Unallocated	36,621	-	-	-	(36,621)
Total Governmental Activities	<u>\$ 744,800</u>	<u>\$ -</u>	<u>\$ 403,121</u>	<u>\$ -</u>	<u>(341,679)</u>

General Revenues:

Tax Assessments	293,459
Donations and Miscellaneous	453
Interest and Investment Earnings	<u>4,355</u>
Total General Revenues	<u>298,267</u>
Change in Net Position	(43,412)
Net Position - Beginning	<u>2,580,244</u>
Net Position - Ending	<u>\$ 2,536,832</u>

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General
ASSETS	
Cash in Local Agency Investment Fund	\$ 1,306,739
Cash In Bank and On Hand	105,830
Accounts Receivable	162,166
Prepaid Expenses	4,000
Capital Assets:	
Land	110,000
Buildings	505,000
Building Improvements	561,046
Vehicles	68,140
Furniture and Equipment	42,178
Less: Accumulated Depreciation	(268,922)
TOTAL ASSETS	\$ 2,596,177
LIABILITIES	
Accounts Payable	\$ 16,796
Compensated Absences	20,868
Unearned Revenues	21,681
TOTAL LIABILITIES	\$ 59,345
FUND BALANCE	
Invested in Capital Assets	\$ 1,017,442
Committed Fund Balances:	
Operations Reserve	780,000
Fleet Reserve	50,000
Capital Improvements Reserve	83,250
Computer Reserve	14,279
Discretionary Project Reserve	50,000
Unassigned Fund Balance	541,861
TOTAL FUND BALANCE	2,536,832
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,596,175

The accompanying notes are an integral part of this statement

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General
REVENUES	
Tax Assessments	\$ 293,459
USFS Fuel Reduction 2013	2,785
USFS Fuel Reduction 2014	17,506
USFS San Diego County Fire Prevention 2015	179,828
USDA Cleveland National Forest	15,280
DSAP Fuel Reduction	19,831
USDA Natural Resources Conservation Service	56,258
San Diego Unified Port District	20,000
US Fish and Wildlife Service	6,351
Redevelopment Funds	11,147
San Diego Foundation	42,000
Other Local Grant Income	8,251
TJRV Garden Plots	23,884
Donations and Miscellaneous	453
Investment Income	4,355
	4,355
TOTAL REVENUES	\$ 701,388
EXPENDITURES	
Salaries and Benefits	\$ 217,341
Payroll Taxes	8,078
Dues and Subscriptions	7,527
Professional Fees	7,460
Travel and Conference	6,538
Accounting and Legal Fees	6,021
Insurance	6,673
Conservation and Education	3,600
Maintenence and Repairs	11,246
Landscaping	12,864
Utilities and Telephone	14,486
Office Expenses	6,354
Scholarships and Awards	5,779
Miscellaneous Expenses	8,287
Discretionary Project Expenses	33,217
Direct Grant Expenses	352,708
Depreciation - Unallocated	36,621
	36,621
TOTAL EXPENDITURES	744,800
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,412)
FUND BALANCE - BEGINNING	2,580,244
FUND BALANCE - ENDING	\$ 2,536,832

The accompanying notes are an integral part of this statement

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

A. Organization:

The Resource Conservation District of Greater San Diego County (District) was formed on May 8, 1995 by the merging of the Resource Conservation District of Central San Diego and the Greater Mountain Empire Resource Conservation District. The District's purpose is to provide soil, water and related resource conservation information and assistance in San Diego County.

B. Summary of Significant Accounting Policies:

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14.

The basic, but not the only criterion for including a potential component unit within the reporting entity is the Board of Director's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The District has no business-type activities.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major and non-major governmental funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The District has no proprietary fund types.

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and nonmajor funds as follows:

General Fund. This is the District's primary operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund. The District has no other funds.

Measurement Focus

Government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Budget and Budgetary Accounting

The District's budget for the general fund is adopted on a modified accrual basis. The District Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through Board action, if the expenditures exceed the appropriations the Administrator is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the total expenditures of any division or department must be approved by the Board of Directors. Supplemental appropriations were made during the year.

Use of Estimates

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

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Compensated Absences

In accordance with Governmental Accounting Standards Board (GASB) No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current and non-current portion is recognized in the applicable fund at year end. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operations expense in the period taken since such benefits do not vest nor is payment allowable.

Income Taxes

The District is a governmental organization exempt from federal and state income taxes.

Funding Sources

Significantly all of the District's primary funding sources come from grants and contracts entered into with various federal, state and local agencies.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Buildings	25-50 years
Building improvements	20-50 years
Vehicles	5 years
Furniture and equipment	5-10 years

Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Minimum Fund Balance Policy – The District maintains a minimum operational reserve which is sustained during periods of economic uncertainty. Minimal operational reserves shall be accrued to ensure three years of minimal facility and administrative functions at a rate of \$260,000 annually with the maximum amount set at \$780,000. When the annual accumulation would increase the operational reserve beyond \$780,000, only the amount required to reach the maximum will be reserved. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. As of year ended June 30, 2016, the District did not have any deferred inflows of resources or deferred outflows of resources.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Changes in Accounting Policies

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

C. Cash and Investments:

Cash in LAIF - State Treasury

The District maintains cash in the State Treasury Investment Pool – Local Agency Investment Fund (LAIF) as part of the common investment pool (\$1,306,239 as of June 30, 2016). The fair value of the District’s portion of this pool as of that date, as provided by the pool sponsor was \$1,307,230. In general, this pool is used by most districts and contains cash deposits and various securities permitted for local public agencies as specified in the Government Code of The State of California and the governing board approved investment policy. Interest earnings in this pool are allocated on a pro-rata basis, based on the fund balances of each district.

In accordance with Governmental Accounting Standards Board (GASB) No. 31, investments in the State Treasury Investment Pool – Local Agency Investment Fund should be recorded at fair value. However, the District determined that the fair market value approximates cost; therefore, no adjustment was made to reflect the difference.

Cash on Hand and Banks

Cash balances on hand and in banks (\$105,830 as of June 30, 2016) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

The Entity’s investments at June 30, 2016 are shown below:

<u>Investment or Investment Type</u>	<u>Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
LAIF Pooled Investment Funds	239*	\$ 1,306,739	\$ 1,307,230

*Represents an average of the days to maturity.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

C. Cash and Investments: (Continued)

Analyst of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State funds are restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurers repurchase or reverse repurchase agreements.

The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The LAIF Investment Pool is rated A+ by Standard and Poors with a Moody's rating of Aa3.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

The District maintains cash in bank deposit accounts that may, at times, exceed the federally insured limit; however, the District has not experienced any losses in these accounts. The District believes it is not exposed to any significant custodial credit risk in cash and cash equivalents.

As of June 30, 2016, the District's bank balances (including petty cash) of \$105,830 was not exposed to custodial credit risk.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

C. Cash and Investments: (Continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the LAIF pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Accounts Receivable:

Accounts receivable represents amounts due to the District as of June 30, 2016 on current grants and contracts. There were no receivables which are not scheduled for collection within one year of year end.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

D. Accounts Receivable: (Continued)

At June 30, 2016 accounts receivable consisted of the following:

Federal:			
USDA Cleveland National Forest	\$	15,280	
USDA National Resources Conservation Services		5,770	
US Fish and Wildlife Services		6,351	
USFS San Diego County Fire Prevention 2015		127,058	
Local:			
Port District		5,408	
Fire Safe Council		1,009	
Other Local Sources		1,290	
			<u>1,290</u>
Total	\$		<u><u>162,166</u></u>

E. Capital Assets:

A summary of changes in capital asset activity is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Net Change</u> <u>in Capital</u> <u>Assets</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets:			
Land	\$ 110,000		\$ 110,000
Buildings	505,000	-	505,000
Building Improvements	561,046	-	561,046
Vehicles	36,017	32,123	68,140
Furniture and Equipment	39,411	2,767	42,178
			<u>42,178</u>
Total Cost	<u>1,251,474</u>	<u>34,890</u>	<u>1,286,364</u>
Accumulated Depreciation:			
Buildings	(79,852)	(12,949)	(92,801)
Building Improvements	(88,330)	(14,386)	(102,716)
Vehicles	(29,277)	(4,394)	(33,671)
Furniture and Equipment	(34,842)	(4,892)	(39,734)
			<u>(39,734)</u>
Total Accumulated Depreciation	<u>(232,301)</u>	<u>(36,621)</u>	<u>(268,922)</u>
Net Capital Assets	<u>\$ 1,019,173</u>	<u>\$ (1,731)</u>	<u>\$ 1,017,442</u>

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

F. Accounts Payable:

Accounts payable at June 30, 2016 consisted of:

Vendor payables	\$ <u>16,796</u>
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G. Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue. Unearned revenue at June 30, 2016 consisted of:

R3 Tree Nursery	\$ 3,679
SDG&E Defensible Space	15,522
Other Local	<u>2,480</u>
Total	<u>\$ 21,681</u>

H. Lease Commitments:

The Organization leases a copier under an operating lease agreement expiring through June 2019. Minimum future rental payments due under this lease is as follows:

Year Ending June 30,	
2017	\$ 3,141
2018	3,141
2019	<u>2,094</u>
Total	<u>\$ 8,376</u>

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

I. Deferred Compensation:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 on a voluntary basis upon date of hire. The plan is currently under an investment group contract with Lincoln Financial Group. The plan requires a minimum bi-weekly contribution of \$10 to be allocated for each option preference. The maximum amount that can be deferred under this plan is the lesser of 100% of the participant's includible compensation or \$18,000 (\$24,000 if age 50 or older) for the calendar year 2016.

The District also provides pension benefits for all its eligible employees in lieu of social security through the plan as of the date of hire. Employees voluntarily select a contribution plan that is qualified under Section 401 (a) and 501 (a) under the Internal Revenue Code whereby the District makes quarterly contributions at the minimum social security rate (7.5%) based on continuous service until termination, retirement, death, or unforeseeable emergency.

The District also provides pension benefits for all its eligible employees in lieu of medical benefits as of the date of hire per voluntary request. Employees covered under a personal health plan have the option to contribute waived District medical benefits to their deferred compensation plan. For the fiscal year ended June 30, 2016 the total District contribution to the plan for all participating employees was \$22,493.

J. Excess of Expenditures Over Appropriations:

As of June 30, 2016, expenditures exceeded appropriations as follows:

Dues and Subscriptions	\$	1,327
Professional Fees	\$	615
Insurance	\$	1,273
Scholarships and Awards	\$	179
Miscellaneous Expenses	\$	467
Landscaping	\$	1,464
Discretionary Project Expenses	\$	33,217

The District incurred unanticipated expenditures.

K. Risk Management:

The District is insured under a plan with the Special Districts Risk Managements Association (self-funded trust pool), for commercial, general liability, and errors and omissions in the amount of \$1,000,000 in addition to workers' compensation insurance in statutory amounts. There have been no significant reductions in coverage from the prior year. No claims have been asserted during the year and there are no unpaid claims. No settlements have exceeded coverage in the past three years.

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

L. Commitments and Contingencies:

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under term of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Tax Assessments	\$ 276,000	\$ 293,459	\$ 17,459
USFS Fuel Reduction	-	20,291	20,291
DSAP Fuel Reduction	20,000	19,831	(169)
USFS San Diego County Fire Protection	200,000	179,828	(20,172)
San Diego Unified Port District	20,000	20,000	-
Redevelopment Funds	4,400	11,147	6,747
R3 Tree Nursery	5,175	1,495	(3,680)
San Diego Foundation	42,000	42,000	-
USDA NRCS	75,000	56,528	(18,472)
TJRV Garden Plots	17,000	23,884	6,884
Other Grant Income	125,000	28,117	(96,883)
Donations and Miscellaneous	1,240	453	(787)
Investment Income	2,700	4,355	1,655
TOTAL REVENUES	\$ 788,515	\$ 701,388	\$ (87,127)
EXPENDITURES			
Salaries and Benefits	\$ 234,163	\$ 217,341	\$ 16,822
Payroll Taxes	8,337	8,078	259
Dues and Subscriptions	6,200	7,527	(1,327)
Professional Fees	6,845	7,460	(615)
Travel and Conference	10,500	6,538	3,962
Accounting and Legal Fees	11,800	6,021	5,779
Insurance	5,400	6,673	(1,273)
Conservation and Education	3,600	3,600	-
Maintenance and Repairs	12,710	11,246	1,464
Landscaping	11,400	12,864	(1,464)
Utilities and Telephone	15,224	14,486	738
Office Expenses	7,140	6,354	786
Scholarships and Awards	5,600	5,779	(179)
Miscellaneous Expenses	7,820	8,287	(467)
Discretionary Project Expense	-	33,217	(33,217)
Direct Grant Expenses	355,945	352,708	3,237
Depreciation - Unallocated	36,621	36,621	-
TOTAL EXPENDITURES	\$ 739,305	\$ 744,800	\$ (5,495)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49,210	(43,412)	(92,622)
FUND BALANCE - BEGINNING	2,580,244	2,580,244	-
FUND BALANCE - ENDING	\$ 2,629,454	\$ 2,536,832	\$ (92,622)

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
BOARD OF DIRECTORS
JUNE 30, 2016**

The Board of Directors for the fiscal year ended June 30, 2016 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Marilyn Huntamer	President	November 30, 2016
Donald Butz	Vice President	November 30, 2016
Nadine Scott	Secretary/Treasurer	November 30, 2018
Jim Thompson	Director	November 30, 2016
Liz DeSouza	Director	November 30, 2016
Kurt Streule	Director	November 30, 2018

Administration

Sheryl Landrum
Executive Director

OTHER INDEPENDENT AUDITOR'S REPORTS



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

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

**Board of Directors
Resource Conservation District
of Greater San Diego County
Lakeside, 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 the aggregate remaining fund information of Resource Conservation District of Greater San Diego County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Resource Conservation District of Greater San Diego County's basic financial statements, and have issued our report thereon dated May 15, 2017.

Internal Control Over Financing Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

El Cajon, California
May 15, 2017

FINDINGS AND RECOMMENDATIONS

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Not Applicable
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Internal control over major programs:	
One or more material weaknesses identified?	Not Applicable
One or more significant deficiencies identified that are not considered to be material weaknesses?	Not Applicable
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Not Applicable

Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>

Not Applicable	Not Applicable
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Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Not Applicable
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Section II – Federal Award Findings and Questioned Costs

Not Applicable

Section III – Financial Statement Findings

No Matters Reported

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings or questioned costs reported in the audit for the fiscal year ended June 30, 2015.