

SONOMA RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma Resource Conservation District
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities of Sonoma Resource Conservation District (a special purpose government) as of and for the years ended June 30, 2017 and 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Sonoma Resource Conservation District as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 on pages 3-9 and 21 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.

Goranson and Associates, Inc.

December 12, 2017
Santa Rosa, CA

January 22, 2018
Santa Rosa, CA

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

As management of the Sonoma Resource Conservation District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 10-21) and the accompanying notes to the basic financial statements (pages 22-36).

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the 2017 and 2016 fiscal years by \$1,443,045 and \$1,404,870 (net position). Of this amount, there is a balance of unrestricted net position of \$259,352 and \$148,900.
- The District total net position increased by \$38,175 and \$123,226 in the 2017 and 2016 fiscal years. This increase is a result of revenues exceeding expenses in the governmental activities and the decrease is because of the prior period restatement to include the full net pension liability.
- As of the close of the 2017 and 2016 fiscal years, the District's governmental fund reported an ending total fund balance of \$1,433,807 and \$1,716,072 of which \$160,507 and \$598,629 were unassigned. The entire unassigned fund balance is available for spending.
- The District's total debt (including short and long-term liabilities) was \$804,471 and \$645,804 at the 2017 and 2016 fiscal years.
- The District had revenue of \$1,836,139 and \$1,860,866 in grant contracts or other major awards during the 2017 and 2016 fiscal years.
- The District recorded a prior period adjustment for June 30, 2017 to correct an accounting error. Accrued payroll was recorded twice for June 30, 2016.

Financial Statements

The District receives a small amount of annual funding generated from property taxes from a Sonoma County General Fund appropriation. In 2017 and 2016, the District received approximately \$124,382 and \$108,376 in ad valorem tax income.

The District leveraged approximately \$1,836,139 and \$1,860,866 of monies from grants and local contributions with their property tax dollars from the 2017 and 2016 fiscal years. The District was able to respond to requests and needs of local stakeholders with these funds. Some of the services we provide include: liaison with other agencies and resources, on-site consultations and assistance, funding for conservation projects, advocacy for landowners, input to policy discussion at the local, state, and federal levels, and a local office open to the public for technical advice.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

Financial Statements, continued

The majority of funding comes from competitively sought government grants and fee for service contracts. Occasionally we receive funds from local foundations and other private sources.

- The District's major funds are program revenues which include grants totaling \$1,374,966 and \$1,357,340 for the 2017 and 2016 fiscal years. Competition for grant funding has significantly increased as more groups compete for limited funds.
- The District currently receives funding support from local sources, including the County of Sonoma, Sonoma County Agricultural Preservation & Open Space District, and others. The District provides services such as technical assistance, educational programs, and watershed coordination with this funding.
- The District expects to continue operating with local funds in addition to state and federal funding. Our partnerships with county groups and agencies allow us to work collaboratively and provide services to meet the mutual goals and objectives of the community.
- The District works diligently to continue in-kind and match funding relationships to better leverage our county tax support for the success of the District's service to the community. Property tax income was \$124,382 for 2017 and \$108,376 for 2016. The RDA Increment Reduction, which is a charge of the Petaluma City Redevelopment Agency impacts, the taxes received by the District.

Overview of the Financial Statements. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary fund statement, and 4) notes to the basic financial statements themselves. This report also contains other supplementary information in addition to the basic financial statements themselves.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

Government-wide financial 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 and liabilities, with the difference between two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal years. 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 10-12 of this report.

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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 fiscal years. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District uses governmental funds to account for its activities that improve the sustainability of natural resources (soil, water, and fisheries & wildlife) within the District boundaries. The District adopts an annual appropriated budget for its funds.

The basic governmental fund financial statements can be found on pages 13-21 of this report.

Fiduciary Fund – Fiduciary funds are used to account for funds held by the District in trust for other government agencies and private citizens.

Notes to the basic 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. The notes to the basic financial statements can be found on pages 22-36 of this report.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$1,443,045 and \$1,404,870 at the close of the 2017 and 2016 fiscal years.

The balance of the unrestricted net position may be used to meet the District's ongoing obligations to citizens and vendors.

NET POSITION

	<u>2017</u>	<u>2016</u>
Cash and other current assets	\$ 1,063,823	\$ 794,704
Investments	1,174,773	1,242,243
Capital assets, net of accumulated depreciation	8,920	13,727
Total assets	<u>\$ 2,247,516</u>	<u>\$ 2,050,674</u>
Liabilities due within one year	\$ 687,606	\$ 263,827
Net pension liability	-	339,228
Line of credit	81,074	-
Compensated absences	35,791	42,749
Total liabilities	<u>\$ 804,471</u>	<u>\$ 645,804</u>
Invested in capital assets	\$ 8,920	\$ 13,727
Long term restricted fund balance	1,001,260	1,001,260
Short term restricted	173,513	240,983
Unrestricted net position	259,352	148,900
Total net position	<u>\$ 1,443,045</u>	<u>\$ 1,404,870</u>

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

At the end of the current fiscal years, the District is able to report positive balances in all categories of net position.

CHANGES IN NET POSITION

Revenues:	2017	2016
Program revenues:		
Intergovernmental revenue	\$ 1,374,966	\$ 1,357,340
Other grants	7,800	21,000
Fee for service	332,284	468,500
Other revenue	121,089	14,026
General revenues:		
Property taxes	124,382	108,376
Investment income	45,628	88,152
Total revenues	2,006,149	2,057,394
Expenses:		
Resource conservation	1,930,592	1,934,168
Change in net position	\$ 75,557	\$ 123,226

Financial Analysis of the District's Funds

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

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal years.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$1,335,250 a decrease of \$380,792 at the close of the 2017 fiscal year and a balance of \$1,716,072 an increase of \$122,742 at the close of the 2016 fiscal year.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016

General Fund Budgetary Highlights

A revision to the budget was approved by the Board on February 23, 2017.

Economic Factors and Next Year's Budget: The District expects lower property tax revenues to continue as a result of the economic downturn and as a result of significant property damage during the fires of October 2017. The District will continue to apply for federal, state, and local grants and contracts. These factors were considered in preparing the District's budget for the fiscal years ending June 30, 2017 and 2016.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be made in writing and addressed to the Sonoma Resource Conservation District, 1221 Farmers Lane, Suite F, Santa Rosa, CA 95405, Attn: Valerie Quinto, Executive Director.

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2017 and 2016

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$ 93,633	\$ 205,604
Cash - restricted		
Grant advances	157,012	-
Fiscal agent	87,940	70,422
Accounts receivable	628,666	466,238
Retentions receivable	87,980	48,601
Deposits and prepaid expenses	8,592	3,839
Total current assets	1,063,823	794,704
Investments	1,174,773	1,242,243
Capital assets, net of accumulated depreciation:		
Equipment	8,920	13,727
Total capital assets	8,920	13,727
Total assets	\$ 2,247,516	\$ 2,050,674
LIABILITIES		
Current liabilities:		
Accounts and other payable	\$ 349,028	\$ 143,421
Deferred revenue	240,712	38,409
Current portion of line of credit	9,926	12,100
Fiscal agent liability	87,940	69,897
Total current liabilities	687,606	263,827
Long term liabilities		
Compensated absences	35,791	42,749
Line of credit	81,074	-
Deferred outflows-net pension liability	-	339,228
Total long term liabilities	116,865	381,977
Total liabilities	\$ 804,471	\$ 645,804
Net Position:		
Invested in capital assets, net of accumulated depreciation	\$ 8,920	\$ 13,727
Unrestricted net position	259,352	148,900
Short term restricted net position	173,513	240,983
Long term restricted net position	1,001,260	1,001,260
Total net position	\$ 1,443,045	\$ 1,404,870

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

Program Expenses	2017	2016
Resource Conservation:		
Salaries and employee benefits	987,598	\$ 954,206
Services and supplies	936,794	972,220
Interest expense	1,394	1,324
Depreciation	4,806	6,418
Total program expenses	1,930,592	1,934,168
 Program Revenues		
Operating Grants:		
Intergovernmental revenue	1,374,966	1,357,340
Other grants	7,800	21,000
Fees for service	332,284	468,500
Other revenue	121,089	14,026
Total program revenue	1,836,139	1,860,866
Net program expenses	(94,453)	(73,302)
 General revenues		
Property taxes	124,382	108,376
Investment earnings	45,628	88,152
Total general revenues	170,010	196,528
 Change in net position	75,557	123,226
 Net position, beginning of the year	1,404,870	1,281,644
Prior period adjustment	(37,382)	-
Net position, beginning of the year restated	1,367,488	1,281,644
 Net position, end of the year	\$ 1,443,045	\$ 1,404,870

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government, grants, program revenue	\$ 1,682,570	\$ 1,917,404
Cash paid to vendors and employees	(1,731,891)	(2,033,576)
Investment income received	15,240	88,153
Net cash used by operations	(34,081)	(28,019)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in unrestricted cash	(174,530)	-
Change in fiscal agent liability	18,043	-
Purchase of property and equipment	-	(4,270)
Investment transactions	37,080	(50,555)
Net cash provided (used) by investing activities	(119,407)	(54,825)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in line of credit	78,899	8,480
NET CHANGE IN CASH	(74,589)	(74,364)
CASH, beginning of year	168,222	242,586
CASH, end of year	\$ 93,633	\$ 168,222
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net position	\$ 75,557	\$ 85,844
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	4,806	6,418
Unrealized loss on investments	30,388	(19,818)
(Increase) decrease in:		
Receivables	(201,804)	(46,185)
Prepaid expenses and other assets	(4,754)	6,797
Increase (decrease) in:		
Accounts payable and accrued expenses	198,650	(75,239)
Deferred outflows	(339,228)	(24,246)
Deferred revenue	202,304	38,410
Total cash used by operations	\$ (34,081)	\$ (28,019)

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 93,633	\$ 205,605
Due from other government entities	560,043	397,615
Retention receivable	87,980	48,601
Prepaid expenses and deposits	8,592	3,839
Investments	1,174,773	1,242,243
Total assets	\$ 1,925,021	\$ 1,897,903
 LIABILITIES and FUND BALANCE		
Liabilities:		
Vouchers payable	\$ 349,028	\$ 106,039
Other current liabilities	240,713	75,792
Total liabilities	589,741	181,831
 FUND BALANCE		
Unassigned fund balance	160,507	598,629
Restricted fund balance	1,174,773	1,117,443
Total fund balances	1,335,280	1,716,072
Total liabilities and fund balances	\$ 1,925,021	\$ 1,897,903

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
JUNE 30, 2017 and 2016

	2017	2016
Fund balances - total government funds	\$ 1,335,280	\$ 1,716,072
Amount reported for governmental activities in the statement of net position is different because:		
Net revenues not used for governmental activities	68,622	69,148
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	8,922	13,727
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	(91,000)	(12,100)
Deferred outflows	157,012	(339,228)
Compensated absences	(35,791)	(42,749)
Net position of governmental activities	\$ 1,443,045	\$ 1,404,870

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
 STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Property taxes	\$ 124,382	\$ 108,376
Intergovernmental grants and revenue	1,265,927	1,393,563
Fees for service	332,284	468,500
Other revenue	128,889	14,026
Unrealized losses on investments	(30,388)	19,818
Investment earnings	76,016	68,334
Total revenues	<u>1,897,110</u>	<u>2,072,617</u>
EXPENDITURES		
Current:		
Salaries and employee benefits	1,302,332	976,331
Services and supplies	936,794	972,220
Debt sevice:		
Interest	1,394	1,324
Total expenditures	<u>2,240,520</u>	<u>1,949,875</u>
Excess of revenue over (under) expenditures	<u>(343,410)</u>	<u>122,742</u>
Fund balance, beginning of the year	1,716,072	1,593,330
Prior period adjustment	(37,382)	-
Fund balance, beginning of the year restated	<u>1,678,690</u>	<u>1,593,330</u>
Fund balance, end of the year	<u><u>\$ 1,335,280</u></u>	<u><u>\$ 1,716,072</u></u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Amount reported for governmental activities in the statement of activities is different because:		
Net change in fund balance - governmental funds	\$ (343,410)	\$ 122,742
Net change in restricted fund balances	77,585	(15,223)
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense		
Current year depreciation	(4,806)	(6,418)
Change in current year deferred outflows	339,228	24,246
Change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	6,960	(2,121)
Change in net assets of governmental activities	\$ 75,557	\$ 123,226

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
 STATEMENTS OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017 and 2016

	Private Purpose Trust Fund	
	2017	2016
ASSETS		
Cash and investments -		
Laguna Valley Mitigation Bank Trust	\$ 87,940	\$ 70,422
 NET POSITION		
Held in trust for Laguna Valley Mitigation Bank	\$ 87,940	\$ 69,897

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	Private Purpose Trust Fund	
	2017	2016
ADDITIONS:		
Investment earnings	\$ 17,518	\$ -
Changes in fiduciary net position	\$ 17,518	\$ -
Fiduciary net position, beginning	70,422	69,897
Fiduciary net position, ending	\$ 87,940	\$ 69,897

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
 STATEMENTS OF RESTRICTED NET POSITION
 JUNE 30, 2017 and 2016

	Endowment	
	2017	2016
ASSETS		
Investments	\$ 1,174,773	\$ 1,242,243
 NET POSITION		
Short term restricted net position	\$ 173,513	\$ 240,983
Long term restricted net position	1,001,260	1,001,260
Total restricted net position	\$ 1,174,773	\$ 1,242,243

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENTS OF CHANGES IN RESTRICTED NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	<u>Short term restricted</u>	<u>Long term restricted</u>	<u>Total restricted 2017</u>	<u>Total restricted 2016</u>
ADDITIONS:				
Investment earnings, net of unrealized gain (loss)		\$ 45,517	\$ 45,517	\$ 48,516
Releases from long term	\$ (11,064)	(45,517)	(56,581)	(48,516)
	(11,064)	-	(11,064)	-
DEDUCTIONS:				
Education expenses (releases from restriction)	(56,406)	-	(56,406)	-
Changes in restricted net position	(67,470)	-	(67,470)	-
Restricted net position, beginning	<u>240,983</u>	<u>1,001,260</u>	<u>1,242,243</u>	<u>1,242,243</u>
Restricted net position, ending	<u>\$ 173,513</u>	<u>\$ 1,001,260</u>	<u>\$ 1,174,773</u>	<u>\$ 1,242,243</u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENTS OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017			Variance Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property taxes	\$ 105,000	\$ 105,000	\$ 124,382	\$ 19,382
Intergovernmental grants and revenue	-	1,928,564	1,265,927	(662,637)
Fee for service	-	296,007	332,284	36,277
Other revenue	-	-	128,889	128,889
Investment earnings	47,379	47,379	45,628	(1,751)
Total revenues	<u>152,379</u>	<u>2,376,950</u>	<u>1,897,110</u>	<u>(479,840)</u>
Expenditures, all current:				
Salaries and employee benefits	1,020,912	1,020,912	1,302,332	(281,420)
Services and supplies	1,287,668	1,287,668	936,794	350,874
Interest expense	-	-	1,394	(1,394)
Total expenditures	<u>2,308,580</u>	<u>2,308,580</u>	<u>2,240,520</u>	<u>68,060</u>
Excess of revenue over expenditures	<u>\$ (2,156,201)</u>	<u>\$ 68,370</u>	<u>\$ (343,410)</u>	<u>\$ (411,780)</u>
	2016			
	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 92,064	\$ 89,923	\$ 108,376	\$ 18,453
Intergovernmental grants and revenue	-	1,282,852	1,393,563	110,711
Fee for service	-	667,179	468,500	
Other revenue	-	-	14,026	
Investment earnings	-	55,170	88,152	32,982
Total revenues	<u>92,064</u>	<u>2,095,124</u>	<u>2,072,617</u>	<u>162,146</u>
Expenditures:				
Current:				
Salaries and employee benefits	-	1,029,232	976,331	52,901
Services and supplies	90,800	1,024,815	972,220	52,595
Interest expense	1,040	-	1,324	(1,324)
Total expenditures	<u>91,840</u>	<u>2,054,047</u>	<u>1,949,875</u>	<u>104,172</u>
Excess of revenue over (under) expenditures	<u>\$ 224</u>	<u>\$ 41,077</u>	<u>\$ 122,742</u>	<u>\$ 266,318</u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Sonoma Resource Conservation District (District) is a California special district governed by a seven-member board of directors who serve voluntarily and are appointed by the Sonoma County Board of Supervisors. The District develops soil and water conservation programs in Sonoma County of Division 9 of the Public Resources Code. The accompanying financial statements present the activities for which the District is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from services or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The District only has one major fund, the General Fund, which is used to account for all financial resources.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. Taxes, interest, and charges for services are accrued when receipt occurs within three hundred sixty-five days of the end of the accounting period, so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

Amounts recorded as program revenues include 1) charges to customers for services or privileges provided and 2) grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Assets, Liabilities, and Net Position

Cash and Investments

The District reports certain investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

Fair Value Measures – The District reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures, continued –

Level 2– Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3– Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Investments – Investments are made up of municipal bonds and equities and are reported at their fair values in the statement of financial position. The fair value of the equities are based upon quoted prices in active markets (Level 1 measurements), while the fair value of the municipal bonds are categorized in Level 2. Realized and unrealized gains and losses are included in the change in net position and are included in the statement of activities as net realized and unrealized gains on investments.

Receivables and Payables

Property Taxes – The County of Sonoma is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California's Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on one percent of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of two percent per year.

On June 30, 1993, the Board of Supervisors adopted the "Teeter" Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end, the County advances cash to each taxing jurisdiction equal to its current year delinquent property taxes. In exchange, the county receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Due from Other Governments – This amount represents grant and contract revenues which have been earned but not received at the end of the fiscal year.

Compensated Absences

Employees accumulate discretionary time. Accrual rates are based on length of service, and discretionary time is accumulated up to a maximum of two times each employee's annual accrual rate, never to exceed two hundred forty hours. Discretionary time is paid in full upon termination or retirement. Discretionary time is accrued when incurred in the government-wide financial statements.

Net Position

Net position is classified into three components - invested in capital assets (net of related debt), restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position (if any) – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
 - Short term Restricted – Net positions that are subject to donor-imposed stipulations that may be fulfilled by actions of the District to meet the stipulations or that become unrestricted at the date specified by the donor.
 - Long term Restricted – Net position subject to donor-imposed stipulations that they be retained and invested permanently by the District to use all or part of the investment return on this fund position for specified or unspecified purposes.
- Unrestricted – This category of net position consists of fund positions that are not restricted for any project or other purpose.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Classifications

The Governmental Accounting Standards Board (GASB) released Statement 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) on March 11, 2009 which is effective for the District's fiscal years ending June 30, 2017 and 2016. This Statement is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications. Under GASB 54, fund balance is reported under the following two classifications:

Restricted Fund Balance – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Unassigned Fund Balance – consists of any remaining fund balance that has not been reported in any other classification. For the purpose of fund balance classification, the District's policy is to have expenditures spent from the restricted fund balances first, followed in order by committed fund balance (if any), assigned fund balance (if any), and last unassigned fund balance.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements 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 revenue and expense during the reporting period. Actual results could differ from those estimates; the financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates include the collectability of property taxes in determining the allowance for uncollectible taxes, depreciation lives and methods, and compensated absences. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustments, which were contingent upon new or additional revenue resources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the years. All budgets are adopted on a non-GAAP basis.

NOTE 3 DETAILED NOTES

Cash and Investments

The District maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the years, the District held cash and cash equivalent balances in excess of federally insured limits.

At June 30, cash is as follows:

	2017	2016
Cash	\$ 93,633	\$ 205,604
Restricted cash	244,952	70,422
Total	<u>\$ 338,585</u>	<u>\$ 276,026</u>

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2017 and 2016:

	Level 1	
	2017	2016
Investment cash	\$ 245,867	
Equities	11,109	\$ 9,609
Municipal bonds	917,797	1,232,634
	\$ 1,174,773	\$ 1,242,243

Investment earnings are as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividend income	\$ 74,727	\$ 68,334
Realized gain	1,289	-
Unrealized gain (loss)	(30,388)	19,818
Total	\$ 45,628	\$ 88,152

NOTE 5 OTHER INFORMATION

Operating Lease

The District leases its facilities under a five-year operating lease that expires January 2019. The District also rents storage space at the same location for \$185 per month on a month to month basis. Rent expense for the fiscal years ending June 30, 2017 and 2016 is \$46,068 and \$46,068. Future minimum rental payments required under the above operating are as follows:

2018	\$ 56,872
2019	32,984

Line of Credit

The District has a line of credit with a local financial institution. The term originated March 2017 and expires March 2025. Interest rate is six percent. The balance is \$91,000 at June 30, 2017 and there was no balance at June 30, 2016.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 OTHER INFORMATION, continued

Line of Credit, continued

Future minimum payments are as follows:

2018	\$ 9,926
2019	9,751
2020	10,353
2021	10,991
2022	11,669
Thereafter	38,310

Risk Management

The District is covered for commercial and general liability and errors and omissions, as well as automobile and excess liability insurance. The District purchases its insurance coverage through the Special Districts Risk Management Association (SDRMA). Workers' Compensation Insurance is also purchased through the SDRMA.

Capital Assets

Capital asset activity for the years ending June 30, 2017 and 2016 are as follows:

	2017			
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 33,452	\$ -	\$ -	\$ 33,452
Equipment	65,630	-	-	65,630
Total capital assets, being depreciated	<u>99,082</u>	<u>-</u>	<u>-</u>	<u>99,082</u>
Less accumulated depreciation for:				
Vehicles	(33,452)	-	-	(33,452)
Equipment	(51,903)	(4,806)	-	(56,709)
Total accumulated depreciation	<u>(85,355)</u>	<u>(4,806)</u>	<u>-</u>	<u>(90,161)</u>
Total capital assets, being depreciated, net	<u>\$ 13,727</u>	<u>\$ (4,806)</u>	<u>\$ -</u>	<u>\$ 8,920</u>

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 OTHER INFORMATION, continued

	2016			
	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Capital assets, being depreciated:				
Vehicles	\$ 33,452	\$ -	\$ -	\$ 33,452
Equipment	51,265	10,094	-	61,359
Total capital assets, being depreciated	<u>84,717</u>	<u>10,094</u>	<u>-</u>	<u>94,811</u>
Less accumulated depreciation for:				
Vehicles	(23,088)	(5,422)	-	(28,510)
Equipment	(47,450)	(2,976)	-	(50,426)
Total accumulated depreciation	<u>(70,538)</u>	<u>(8,398)</u>	<u>-</u>	<u>(78,936)</u>
Total capital assets, being depreciated, net	<u>\$ 14,179</u>	<u>\$ 1,696</u>	<u>\$ -</u>	<u>\$ 15,875</u>

Changes in long-term liabilities

Long term liability activity for the years ended June 30, 2017 and 2016 is as follows:

	2017				
	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Compensated absences	\$ 42,749	\$ (6,958)		\$ 35,791	
Note payable	-	91,000		91,000	\$ 9,926
Deferred outflows	339,228	-	\$(339,228)	-	\$ -
Total long-term liabilities	<u>\$381,977</u>	<u>\$ 84,042</u>	<u>\$(339,228)</u>	<u>\$126,791</u>	<u>\$ 9,926</u>

	2016				
	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Compensated absences	\$ 40,626	\$ 2,123		\$ 42,749	-
Note payable	3,619	8,481	\$ -	12,100	\$ 12,100
Deferred outflows	363,474	-	(24,246)	339,228	24,246
Total long-term liabilities	<u>\$407,719</u>	<u>\$ 10,604</u>	<u>\$(24,246)</u>	<u>\$394,077</u>	<u>\$ 36,346</u>

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN

The District has a retirement plan with CalPERS that is no longer active. However, the District paid off the unfunded liability during the years ended June 30, 2017 and 2016. Information about the retirement plan can be found below:

Employee Retirement Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	6/30/2015
Measurement Date (MD)	6/30/2016
Measurement Period (MP)	07/01/2015-06/30/2016

Plan Description, Benefits Covered and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the

SONOMA RESOURCE CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN, continued

Contribution Description, continued

Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 7.947 percent of annual pay, and the average employer's contribution rate is 14.676 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows.

SONOMA RESOURCE CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN, continued

Discount Rate, continued

Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 101	Real Return Years 11+2
Global Equity	47%	5%	6%
Global Fixed Income	1900%	99%	243%
Inflation Sensitive	600%	45%	336%
Private Equity	1200%	683%	695%
Real Estate	1100%	450%	513%
Infrastructure and Forestland	300%	450%	509%
Liquidity	200%	-55%	-105%

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 EMPLOYEE RETIREMENT PLAN, continued

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

The District has a Simple IRA plan for their employees. The District contributes three percent annually to the plan.

NOTE 7 ENDOWMENT

The District endowment consists of funds designated by donors to function as an endowment. Net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the District has interpreted California's enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair market value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with UPMIFA, the District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 7 ENDOWMENT, continued

Endowment net asset composition as of June 30, 2017:

Long term restricted endowment	<u>\$ 1,001,260</u>
Changes in endowment for the year ended June 30, 2017:	
Endowment net position, beginning of year	\$ 1,001,260
Additions to long term restricted endowment	45,517
Deductions from long term restricted endowment	<u>(45,517)</u>
Endowment net position, end of year	<u>\$1,001,260</u>

Endowment net asset composition as of June 30, 2016:

Long term restricted endowment	<u>\$ 1,001,260</u>
Changes in endowment for the year ended June 30, 2016:	
Endowment net position, beginning of year	\$ 1,001,260
Additions to long term restricted endowment	48,516
Deductions from long term restricted endowment	<u>(48,516)</u>
Endowment net position, end of year	<u>\$1,001,260</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the District to retain as a fund of perpetual duration.

NOTE 8 PRIOR PERIOD ADJUSTMENT

The District has a prior period adjustment for the year ended June 30, 2017 in order to correct an accounting error made in June 30, 2016 in which accrued payroll was double recorded.

NOTE 9 SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 12, 2017, the date the financial statements were available to be issued. The financial statements were revised January 22, 2018 because a material issue was found after the financials were originally issued.

SONOMA RESOURCE CONSERVATION DISTRICT
ROSTER OF BOARD MEMBERS

Regular Meetings

The regular meetings of the Board of Directors are generally held the fourth Thursday of each month starting at 9 am, at 1221 Farmers Lane, North Wing Conference Room, Suite 400 in Santa Rosa, California. Meetings are open to the public.

<u>Directors:</u>	<u>Office:</u>
Walt Ryan	Chair
Vickie Mulas	Vice Chair
Dennis Murphy	Director
Ron Rolleri	Director
Bruce Abelli-Amen	Director
John Nagle	Director
Jennifer Kuszmar	Director
Earle Cummings	Associate Director

REQUIRED SUPPLEMENTAL INFORMATION

SONOMA RESOURCE CONSERVATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2017

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
 RELATED RATIOS AS OF THE MEASUREMENT DATE IN RELATION TO PERF C

Net pension liability and fiduciary net position are allocated to the pension are allocated to the plan based on its proportions as a percentage of the total plan (PERF C, excluding the 1959 Survivors Risk Pool), which includes both the Miscellaneous or Safety within PERF C. Therefore, to assist employers in meeting the requirements of GASB 68, proportions shown in the table below represent the plan's proportion of PERF C, excluding the 1959 Survivors Risk Pool, and not its proportions of the Miscellaneous Risk Pool.

	<u>06/30/2017</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ -
Plan's Covered-Employee Payroll	\$ -
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.00000%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ -

SCHEDULE OF PLAN CONTRIBUTIONS

	<u>Fiscal Year</u> <u>2016-2017</u>
Actuarially Determined Contribution	\$ -
Contributions in Relation to the Actuarially Determined Contribution	-
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ -
Contributions as a Percentage of Covered-Employee Payroll	0%

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017

NOTE 1 GASB 68 DISCLOSURE

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Change in Assumptions: None