

# SONOMA RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2016 AND 2015

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Statement of Cash Flows	13
Fund Financial Statements:	
Balance Sheet- Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Net Assets	18
Statement of Changes in Fiduciary Net Assets	19
Statement of Restricted Net Assets	20
Statement of Changes in Restricted Net Assets	21
Statement of Revenues, Expenditures and Changes in the Fund Balance - Budget and Actual - Governmental Funds	22
NOTES TO FINANCIAL STATEMENTS	23 - 37
ROSTER OF BOARD MEMBERS	38
SUPPLEMENTAL INFORMATION:	
Schedule of Expenditures of Federal Awards	39
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of CalPERS	40
NOTES TO SUPPLEMENTAL AND REQUIRED SUPPLEMENTAL INFORMATION	41
Independent Auditor's Report of Internal Control Over Financial Reporting And On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 - 43
Independent Auditor's Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by The Uniform Guidance	44 - 45
Schedule of Auditor's Results, Findings, Questioned Costs, and Auditor's Results	46

# INDEPENDENT AUDITOR'S REPORT

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

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sonoma Resource Conservation District, as of and for the years ended June 30 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Sonoma Resource Conservation 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. 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.



**Goranson and Associates, Inc.**

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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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sonoma Resource Conservation District, as of June 30, 2016 and 2015, 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 4-10 and 22 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 Sonoma Resource Conservation District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 June 30, 2016 and 2015, on our consideration of the Sonoma Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Sonoma Resource Conservation District's internal control over financial reporting and compliance.

*Goranson and Associates, Inc.*

January 11, 2017  
Santa Rosa, California

*Goranson and Associates, Inc.*

January 22, 2018  
Santa Rosa, California

SONOMA RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 and 2015

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, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 11-22) and the accompanying notes to the basic financial statements (pages 23-37).

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the 2016 and 2015 fiscal years by \$1,404,870 and \$1,281,644 (net position). Of this amount, there is unrestricted net position of \$148,900 and \$147,801.
- The District total net position increased by \$123,226 and decreased by \$(363,474) in the 2016 and 2015 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 2016 and 2015 fiscal years, the District's governmental fund reported an ending total fund balance of \$1,716,072 and \$1,593,330 of which \$598,629 and \$475,887 were unassigned. The entire unassigned fund balance is available for spending (unassigned fund balance).
- The District's total debt (including short- and long-term liabilities) was \$645,804 and \$698,400 at the 2016 and 2015 fiscal years.
- The District had revenue of \$1,357,340 and \$2,194,390 in grant contracts or other major awards during the 2016 and 2015 fiscal years.

**Financial Statements**

The District receives a small amount of annual funding generated from property taxes from a Sonoma County General Fund appropriation. In 2016 and 2015, the District received approximately \$108,376 and \$108,458 in ad valorem tax income.

The District leveraged approximately \$1,860,866 and \$2,278,595 of monies from grants and local contributions with their property tax dollars from the 2016 and 2015 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, 2016 and 2015

**Financial Statements, continued**

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

- The District's balance in net position on June 30, 2016 and 2015 was \$1,404,870 and \$1,281,644.
- The District's major funds are program revenues which include grants totaling \$1,357,340 and \$2,194,930 for the 2016 and 2015 fiscal years. Less State resources were available to meet financing needs due to the status of the State's bond freeze and general state of the economy. Competition for grant funding has significantly increased as more groups compete for limited funds.
- USDA Natural Resources Conservation Service (NRCS), our federal partner, granted the District a small contribution agreement for clerical assistance on federal Farm Bill programs. The District, co-housed with our federal partner, provides support through in-kind services, contributing to office reception, general maintenance and record keeping duties to assist NRCS financially. The District continues to provide office supplies and minor equipment to NRCS staff.
- The District currently receives a greater proportion of funding support from local sources, primarily the Sonoma County Water Agency. The District participates in prioritizing and advising flood control tax fund allocation and has been awarded numerous grants to accomplish mutual goals and provide needed services in our District. No indication exists that this trend will change; however, SCWA revenues have decreased along with, the amount of funding available.
- The District expects to continue operating with a greater percentage of local funds rather than 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 \$108,376 for 2016 and \$108,458 for 2015. The RDA Increment Reduction, which is a charge of the Petaluma City Redevelopment Agency impacts, the taxes received by the District.

SONOMA RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 and 2015

**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.

**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 assets presents information on all of the District's assets and liabilities, with the difference between two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 11-13 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, 2016 and 2015

**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 year. 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 14-22 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 23-37 of this report.

SONOMA RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 and 2015

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. In the case of the Sonoma Resource Conservation District, assets exceeded liabilities by \$1,404,870 and \$1,281,644 at the close of the 2016 and 2015 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**

	2016	2015
Cash and other current assets	\$ 794,704	\$ 792,297
Investments	1,242,243	1,171,872
Capital assets, net of accumulated depreciation	13,727	15,875
Total assets	\$ 2,050,674	\$ 1,980,044
Liabilities due within one year	\$ 251,727	\$ 290,681
Net pension liability	339,228	363,474
Note payable	12,100	3,619
Compensated absences	42,749	40,626
Total liabilities	\$ 645,804	\$ 698,400
Invested in capital assets	\$ 13,727	\$ 15,875
Permanently restricted fund balance	1,001,260	1,001,260
Temporarily restricted	240,983	116,708
Unrestricted net position	148,900	147,801
Total net position	\$ 1,404,870	\$ 1,281,644

SONOMA RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 and 2015

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

**CHANGES IN NET POSITION**

Revenues:	2016	2015
Program revenues:		
Intergovernmental revenue	\$ 1,357,340	\$ 2,194,930
Other grants	21,000	-
Fee for service	468,500	82,880
Other revenue	14,026	785
General revenues:		
Property taxes	108,376	108,458
Investment income	88,152	40,390
Total revenues	2,057,394	2,427,443
Expenses:		
Resource conservation	1,934,168	2,332,519
Change in net position	\$ 123,226	\$ 94,924

**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 year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$1,716,072, an increase of \$122,742 at the close of the 2016 fiscal year and a balance of \$1,593,330 an increase of \$88,939 at the close of the 2015 fiscal year.

SONOMA RESOURCE CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016 and 2015

**General Fund Budgetary Highlights**

There were no changes to the budget after it was approved by the Board.

**Economic Factors and Next Year's Budget:** The District expects lower property tax revenues to continue as a result of the economic downturn. 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, 2016 and 2015.

**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: Kara Heckert, Executive Director.

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016 and 2015

<b>ASSETS</b>	2016	2015
Current assets:		
Cash and cash equivalents	\$ 205,604	\$ 242,585
Cash - restricted	70,422	70,422
Accounts receivable	466,238	340,216
Retentions receivable	48,601	128,438
Deposits and prepaid expenses	3,839	10,636
Total current assets	794,704	792,297
Investments	1,242,243	1,171,872
Capital assets, net of accumulated depreciation:		
Vehicles	-	10,364
Equipment	13,727	5,511
Total capital assets	13,727	15,875
Total assets	\$ 2,050,674	\$ 1,980,044
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts and other payable	\$ 143,421	\$ 220,784
Deferred revenue	38,409	-
Fiscal agent liability	69,897	69,897
Total current liabilities	251,727	290,681
Long-term liabilities		
Compensated absences	42,749	40,626
Note payable	12,100	3,619
Deferred outflows		
Net pension liability	339,228	363,474
Total long-term liabilities	394,077	44,245
Total liabilities	\$ 645,804	\$ 698,400
 <b>Net Position:</b>		
Invested in capital assets, net of accumulated depreciation	\$ 13,727	\$ 15,875
Unrestricted net position	148,900	147,801
Temporarily restricted net position	240,983	116,708
Permanently restricted net position	1,001,260	1,001,260
Total net position	\$ 1,404,870	\$ 1,281,644

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

<b>Program Expenses</b>	2016	2015
Resource Conservation:		
Salaries and employee benefits	954,206	\$ 924,269
Services and supplies	972,220	1,398,703
Interest expense	1,324	1,149
Depreciation	6,418	8,398
Total program expenses	1,934,168	2,332,519
 <b>Program Revenues</b>		
Operating Grants		
Intergovernmental revenue	1,357,340	2,194,930
Other grants	21,000	-
Fees for service	468,500	82,880
Other revenue	14,026	785
Total program revenue	1,860,866	2,278,595
Net program revenues (expenses)	(73,302)	(53,924)
 <b>General revenues</b>		
Property taxes	108,376	108,458
Investment earnings	88,152	40,390
Total general revenues	196,528	148,848
 Change in net position	123,226	94,924
 Net position, beginning of the year	1,281,644	1,550,194
Prior period adjustment	-	(363,474)
Net position, beginning of the year restated	1,281,644	1,186,720
 Net position, end of the year	\$ 1,404,870	\$ 1,281,644

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from government, grants, program revenue	\$ 1,917,404	\$ 2,500,419
Cash paid to vendors and employees	(1,996,194)	(2,386,123)
Investment income received	88,153	82,902
Net cash provided by operations	9,363	197,198
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in unrestricted cash	-	(526)
Purchase of property and equipment	(4,270)	(10,094)
Investment transactions	(50,555)	(59,786)
Net cash used by investing activities	(54,825)	(70,406)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	8,480	(5,051)
NET CHANGE IN CASH	(36,982)	121,741
CASH, beginning of year	242,586	120,845
CASH, end of year	\$ 205,604	\$ 242,586
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 123,226	\$ 94,924
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	6,418	8,398
Unrealized loss on investments	(19,818)	42,512
(Increase) decrease in:		
Receivables	(46,185)	113,366
Prepaid expenses and other assets	6,797	3,838
Increase (decrease) in:		
Accounts payable and accrued expenses	(75,239)	(65,840)
Deferred outflows	(24,246)	
Deferred revenue	38,410	-
Total cash provided (used) by operations	\$ 9,363	\$ 197,198

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 205,605	\$ 242,585
Due from other government entities	397,615	260,583
Retention receivable	48,601	128,438
Prepaid expenses and deposits	3,839	10,636
Investments	1,242,243	1,171,872
Total assets	\$ 1,897,903	\$ 1,814,114
 <b>LIABILITIES and FUND BALANCE</b>		
Liabilities:		
Vouchers payable	\$ 106,039	\$ 155,309
Other current liabilities	75,792	65,475
Total liabilities	181,831	220,784
 FUND BALANCE		
Unassigned fund balance	598,629	475,887
Restricted fund balance	1,117,443	1,117,443
Total fund balances	1,716,072	1,593,330
Total liabilities and fund balances	\$ 1,897,903	\$ 1,814,114

The accompanying notes are an integral part of these financial statements



SONOMA RESOURCE CONSERVATION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016 and 2015

	2016	2015
Fund balances - total government funds	\$ 1,716,072	\$ 1,593,330
Amount reported for governmental activities in the statement of net position is different because:		
Net revenues not used for governmental activities	69,148	23,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,727	(15,875)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	(12,100)	3,619
Deferred outflows	(339,228)	(363,474)
Compensated absences	(42,749)	40,626
Net position of governmental activities	\$ 1,404,870	\$ 1,281,644

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
<b>REVENUES</b>		
Property taxes	\$ 108,376	\$ 108,458
Intergovernmental grants and revenue	1,393,563	2,251,213
Fees for service	468,500	82,880
Other revenue	14,026	725
Unrealized losses on investments	19,818	(42,512)
Investment earnings	68,334	82,902
Total revenues	2,072,617	2,483,666
<b>EXPENDITURES</b>		
Current:		
Salaries and employee benefits	976,331	924,267
Services and supplies	972,220	1,469,311
Debt sevice		
Interest	1,324	1,149
Total expenditures	1,949,875	2,394,727
Excess of revenue over (under) expenditures	122,742	88,939
Fund balance, beginning of the year	1,593,330	1,504,391
Fund balance, end of the year	\$ 1,716,072	\$ 1,593,330

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
<b>Amount reported for governmental activities in the statement of activities is different because:</b>		
Net change in fund balance - governmental funds	\$ 122,742	\$ 88,939
Net change in restricted fund balances	(15,223)	17,317
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	(6,418)	(8,398)
Change in current year deferred outflows	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.	(2,121)	(2,934)
Change in net assets of governmental activities	\$ 123,226	\$ 94,924

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016 and 2015

	Private Purpose Trust Fund	
	2016	2015
<b>ASSETS</b>		
Cash and investments -		
Laguna Valley Mitigation Bank Trust	\$ 70,422	\$ 70,422
 <b>NET POSITION</b>		
Held in trust for Laguna Valley Mitigation Bank	\$ 69,897	\$ 69,897

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	Private Purpose Trust Fund	
	2016	2015
<b>ADDITIONS:</b>		
Investment earnings	\$ -	\$ 526
Changes in fiduciary net position	\$ -	\$ 526
Fiduciary net position, beginning	70,422	69,896
Fiduciary net position, ending	\$ 70,422	\$ 70,422

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
 STATEMENT OF RESTRICTED NET ASSETS  
 JUNE 30, 2016 and 2015

	Endowment	
	2016	2015
ASSETS		
Investments	\$ 1,242,243	\$ 1,171,872
 NET ASSETS		
Permanently restricted net assets	\$ 1,001,260	\$ 1,001,260

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF CHANGES IN RESTRICTED NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	Endowment	
	2016	2015
ADDITIONS:		
Investment earnings, net of unrealized gain (loss)	\$ 48,516	\$ 40,390
DEDUCTIONS:		
Education expenses	(48,516)	(40,390)
Changes in restricted net position	-	-
Permanently restricted net position, beginning	1,001,260	1,001,260
Permanently restricted net position, ending	\$ 1,001,260	\$ 1,001,260

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT  
STATEMENT OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	<b>2016</b>			Variance Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
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	(198,679)
Other revenue	-	-	14,026	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>(22,507)</u>
<b>Expenditures, all current:</b>				
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>
<b>Excess of revenue over expenditures</b>	<u>\$ 224</u>	<u>\$ 41,077</u>	<u>\$ 122,742</u>	<u>\$ 81,665</u>
	<b>2015</b>			Variance Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 89,923	\$ 89,923	\$ 108,458	\$ 18,535
Intergovernmental grants and revenue	2,638,307	2,638,307	2,251,213	(387,094)
Fee for service	-	-	82,880	
Other revenue	-	-	725	
Investment earnings	517	517	40,390	39,873
Total revenues	<u>2,728,747</u>	<u>2,728,747</u>	<u>2,483,666</u>	<u>(328,686)</u>
<b>Expenditures:</b>				
Current:				
Salaries and employee benefits	907,231	907,231	924,267	(17,036)
Services and supplies	1,874,418	1,874,418	1,469,311	405,107
Interest expense	-	-	1,149	(1,149)
Total expenditures	<u>2,781,649</u>	<u>2,781,649</u>	<u>2,394,727</u>	<u>386,922</u>
<b>Excess of revenue over (under) expenditures</b>	<u>\$ (52,902)</u>	<u>\$ (52,902)</u>	<u>\$ 88,939</u>	<u>\$ 58,236</u>

The accompanying notes are an integral part of these financial statements



SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Sonoma Resource Conservation District (District) is a California special district governed by a nine-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 or applicants who purchase, use or directly benefit from goods, 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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, 2016 and 2015

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 or applicants for goods, services, or privileges provided and 2) capital 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, 2016 and 2015

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 stocks, mutual funds, treasury funds and certificates of deposits and are reported at their fair values in the statement of financial position. The fair value of the equities securities are based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets 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, 2016 and 2015

NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

**Compensated Absences**

Employees accumulate discretionary time. Discretionary time is accumulated up to two hundred forty hours and 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 unassigned. 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 assets. 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 assets (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.
- Unassigned - This category of net position consists of fund positions that are not restricted for any project or other purpose.
- Temporarily 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.
- Permanently 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.

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

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 year ending June 30, 2016 and 2015. 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. The Restricted for State Programs and Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Restricted for Debt Service and Restricted for Capital Projects balances reflect amounts that are restricted for debt service and construction or other capital outlay projects.

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, 2016 and 2015

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 year. 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 year, the District held cash and cash equivalent balances in excess of federally insured limits. The County receives the funds that are immediately transferred to the District's cash account.

At June 30, cash is as follows:

	2016	2015
Cash	\$ 205,604	\$ 242,585
Restricted cash	70,422	70,422
Total	\$ 276,026	\$ 313,007

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, 2016 and 2015:

	Level 1	
	06/30/2016	06/30/2015
Equities	\$ 9,610	\$ 9,677
Municipal bonds	1,232,634	1,162,196
Total	\$ 1,242,244	\$ 1,171,873

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS, continued

Investment earnings are as follows for the year ended June 30, 2016 and 2015:

	06/30/2016	06/30/2015
Interest and dividend income	\$ 68,334	\$ 63,425
Unrealized gain (loss)	19,817	(42,512)
Total	\$ 88,151	\$ 20,913

NOTE 5 OTHER INFORMATION

**Operating Lease**

The District leases its facilities under a five-year operating lease that expires January 2019. Rent expense for the fiscal year ending June 30, 2016 and 2015 is \$46,068 and \$46,068. Future minimum rental payments required under the above operating are as follows:

2017	\$ 46,068
2018	46,068
2019	20,365

**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.

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 5 OTHER INFORMATION, continued

**Capital Assets**

Capital asset activity for the year ending June 30, 2016 and 2015 are as follows:

	<b>2016</b>			
	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Capital assets, being depreciated:				
Vehicles	\$ 33,452	\$ -	\$ -	\$ 33,452
Equipment	<u>51,265</u>	<u>14,365</u>	<u>-</u>	<u>65,630</u>
Total capital assets, being depreciated	<u>84,717</u>	<u>14,365</u>	<u>-</u>	<u>99,082</u>
Less accumulated depreciation for:				
Vehicles	(23,088)	(10,364)	-	(33,452)
Equipment	<u>(45,754)</u>	<u>(6,149)</u>	<u>-</u>	<u>(51,903)</u>
Total accumulated depreciation	<u>(68,842)</u>	<u>(16,513)</u>	<u>-</u>	<u>(85,355)</u>
Total capital assets, being depreciated, net	<u>\$ 15,875</u>	<u>\$ (2,148)</u>	<u>\$ -</u>	<u>\$ 13,727</u>
	<b>2015</b>			
	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Capital assets, being depreciated:				
Vehicles	\$ 33,452	\$ -	\$ -	\$ 33,452
Equipment	<u>51,265</u>	<u>10,094</u>	<u>-</u>	<u>61,359</u>
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	<u>(47,450)</u>	<u>(2,976)</u>	<u>-</u>	<u>(50,426)</u>
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>



SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 5 OTHER INFORMATION, continued

**Changes in long-term liabilities**

Long term liability activity for the year ended June 30, 2016 and 2015 is as follows:

	<b>2016</b>				
	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
<b>Total long-term liabilities</b>	<b>\$ 44,245</b>	<b>\$ 10,604</b>	<b>\$ -</b>	<b>\$ 54,849</b>	<b>\$ 12,100</b>

	<b>2015</b>				
	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Compensated absences	\$ -	\$ 40,626		\$ 40,626	-
Note payable	8,670	-	\$ (5,051)	3,619	\$ 3,619
<b>Total long-term liabilities</b>	<b>\$ 8,670</b>	<b>\$ 40,626</b>	<b>\$ (5,051)</b>	<b>\$ 44,245</b>	<b>\$ 3,619</b>

NOTE 6 EMPLOYEE RETIREMENT PLAN

The District has a retirement plan with CalPERS that is no longer active. However, the District pays the unfunded liability annually. 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.

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 6          EMPLOYEE RETIREMENT PLAN, continued

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)	6/30/2014
Measurement Date (MD)	6/30/2015
Measurement Period (MP)	07/01/2014-06/30/2015

**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

**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.

SONOMA RESOURCE CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016 and 2015

NOTE 6      EMPLOYEE RETIREMENT PLAN, continued

**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.

**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.

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 6          EMPLOYEE RETIREMENT PLAN, continued

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.

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.

SONOMA RESOURCE CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016 and 2015

NOTE 6 EMPLOYEE RETIREMENT PLAN, continued

**Discount Rate, continued**

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%

**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.

**Prior Period Restatement**

The District recorded a prior period restatement to correct a difference deferred outflow for net pension liability. The Government Accounting Standards Board issued Statement Number 68 that requires all pension plan participants to disclose particular information in their financial statements including the deferred outflow of the net pension liability as well as the supplemental supportive information. The financial statements were corrected for the year ended June 30, 2016 as well as the prior year as shown comparatively.

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 assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 7      ENDOWMENT, continued

**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

Endowment net asset composition as of June 30, 2016:

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

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 and 2015

NOTE 7      ENDOWMENT, continued

Endowment net asset composition as of June 30, 2015:

Permanently restricted endowment	<u>\$ 1,001,260</u>
Changes in endowment for the year ended June 30, 2015:	
Endowment net assets, beginning of year	\$ 1,001,260
Additions to permanently restricted endowment	40,390
Deductions from permanently restricted endowment	<u>(40,390)</u>
Endowment net assets, 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      SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 11, 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 Wednesday of each month starting at 2 pm, at 1221 Farmers Lane, Suite F Conference Room in Santa Rosa, California. Meetings are open to the public.

<u>Directors:</u>	<u>Office:</u>
Walt Ryan	President
Vickie Mulas	Vice President
Dennis Murphy	Director
Ron Rolleri	Director
Steve Thomas	Director
Earle Cummings	Director
Hector Bedolla	Associate Director
Matt Greene	Associate Director
Raymond Krauss	Associate Director
Paul Martin	Associate Director



## SUPPLEMENTARY INFORMATION

SONOMA RESOURCE CONSERVATION DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Agency	Contract Number	CFDA	Expenditures
DEPARTMENT OF COMMERCE:			
<i>National Oceanic &amp; Atmospheric Administration</i>			
<i>Passed through California Department of Fish and Wildlife</i>			
Austin Creek Sediment Reduction	P1030411	11.438	598
Porter Creek Instream Habitat Restoration Project	P1430404	11.438	79,096
Felta Creek	P1030410	11.438	15,108
Grape Creek	P1430406	11.438	152,665
DEPARTMENT OF INTERIOR:			
<i>National Fish and Wildlife Foundation</i>			
Conservation Partners - Phase II	NFWF 2004.13.039588	15.663	101,718
<i>Fish and Wildlife Service passed through</i>			
<i>Center for Ecosystem Management and Restoration</i>			
Russian River Coho Water Resources - year 5	NFWF-005	15.663	87,371
Russian River Coho Water Resources - year 6	NFWF-006	15.663	85,244
DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Coastal Conservancy</i>			
Farm Bill 285	68-9104-5-285	10.912	82,019
Farm Bill 256	68-9104-4-256	*** 10.912	20,929
<i>Passed through National Resource Conservation service</i>			
WAQT	69.3A75.12.19	*** 10.912	102,265
AWEP	68-9104-5-313	*** 10.912	26,183
<i>Passed through Marin Agricultural Land Trust</i>			
Landsmart Plans for NRCS RCPP		*** 10.912	79,756
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through Marin Municipal Water District</i>			
EPA Estuary 2100	00734101-0	66.461	57,514
<i>Passed through California State Water Control Resources Board:</i>			
SCAPOSD 84	11-094-551	66.460	77,534
319 (H)	12-401-251	66.460	91,866
Laguna de Santa Rosa Farm Water Quality Planning	12-405-252	66.460	-
Total Federal expenditures			<u>\$ 1,059,866</u>

See notes to supplemental information

## REQUIRED SUPPLEMENTAL INFORMATION

SONOMA RESOURCE CONSERVATION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016

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.

	06/30/2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.00483%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 339,228
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	0.00249%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ -

SCHEDULE OF PLAN CONTRIBUTIONS

	Fiscal Year 2014-2015
Actuarially Determined Contribution	\$ -
Contributions in Relation to the Actuarially Determined Contribution	-
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ -
Contributions as a Percentage of Covered-Employee Payroll	0%

SONOMA RESOURCE CONSERVATION DISTRICT  
NOTES TO SUPPLEMENTAL AND REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1           BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sonoma Resource Conservation District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2           DE MINIMUS COST RATE

The District has elected to use the de minimus cost rate of ten percent for the year ended June 30, 2016.

NOTE 3           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

INDEPENDENT AUDITOR'S REPORT OF 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*

To the Board of Directors of  
Sonoma Resource Conservation District  
Santa Rosa, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sonoma Resource Conservation District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sonoma Resource Conservation District's basic financial statements, and have issued our report thereon dated January 11, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Sonoma Resource Conservation District's internal control over financial reporting (internal control) 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 the Sonoma Resource Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sonoma Resource Conservation District'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.



**Goranson and Associates, Inc.**

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sonoma Resource Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Goranson and Associates, Inc.*

January 11, 2017  
Santa Rosa, California

*Goranson and Associates, Inc.*

January 22, 2018  
Santa Rosa, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the Sonoma Resource Conservation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sonoma Resource Conservation District's major federal programs for the year ended June 30, 2016. Sonoma Resource Conservation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Sonoma Resource Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sonoma Resource Conservation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sonoma Resource Conservation District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Sonoma Resource Conservation District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



**Goranson and Associates, Inc.**

1717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090



### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

### **Report on Internal Control over Compliance**

Management of the Sonoma Resource Conservation District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sonoma Resource Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sonoma Resource Conservation District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Goranson and Associates, Inc.*

January 11, 2017  
Santa Rosa, California

*Goranson and Associates, Inc.*

January 22, 2018  
Santa Rosa, California

SONOMA RESOURCE CONSERVATION DISTRICT  
 SCHEDULE OF AUDITOR'S RESULTS, FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

**SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued	UNMODIFIED
Internal control over financial reporting:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO
Non-compliance material to financial statements noted?	NO

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards NO

Identification of major programs:

	CFDA Number
Farm Bill 285	10.912
Farm Bill 256	10.912
WAQT	10.912
AWEP	10.912

Dollar Threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? YES

**FINDINGS AND QUESTIONED COSTS**

Financial Statement Audit findings or questioned costs?	NO
Major Federal Awards Program findings or questioned costs?	NO