

SONOMA RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

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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, and each major fund of Sonoma Resource Conservation District (a quasi-governmental agency) as of and for the year ended June 30, 2014, 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 an opinion 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, and each major fund of Sonoma Resource Conservation District as of June 30, 2014, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 36 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 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 U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 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 February 25, 2015 on our consideration of 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 internal control over financial reporting and compliance.

Goranson and Associates, Inc.

February 25, 2015
Santa Rosa, California

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As management of the Sonoma Resource Conservation District (SRCD) we offer readers of SRCD's financial statements this narrative overview and analysis of the financial activities of SRCD for the fiscal years ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with SRCD's financial statements (pages 11-22) and the accompanying notes to the basic financial statements (pages 23-35).

Financial Highlights

- The assets of SRCD exceeded its liabilities at the close of the 2014 fiscal year by \$1,550,194 (net position). Of this amount, \$361,764 (unrestricted net position) may be used to meet SRCD ongoing obligations to citizens and creditors.
- SRCD total net position increased by \$152,095 in the 2014 fiscal year. This increase is a result of revenues exceeding expenses in the governmental activities.
- As of the close of the 2014 fiscal year, SRCD's governmental fund reported an ending unrestricted fund balance of \$331,827. The entire fund balance is available for spending (unrestricted fund balance).
- At the end of the 2014 fiscal year, unreserved fund balance for the governmental fund was \$331,827.
- SRCD's total debt (accounts payable) was \$283,692 at the 2014 fiscal year end.
- SRCD's had revenue of \$1,904,917 in grant contracts or other major awards during the 2014 fiscal year.

Financial Statements

SRCD receives a small amount of annual funding generated from property taxes from a Sonoma County General Fund appropriation. In 2014, SRCD received approximately \$100,520 in ad valorem tax income.

SRCD leveraged approximately \$1,750,000 of monies from grants and local contributions with their property tax dollars. SRCD 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, 2014

Financial Statements, continued

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

- SRCD's balance in net position on June 30, 2014 was \$1,550,194.
- SRCD's major funds are program revenues which include grants and contributions totaling \$1,882,716. 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 SRCD a small contribution agreement for clerical assistance on federal Farm Bill programs. SRCD, 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. SRCD continues to provide office supplies and minor equipment to NRCS staff.
- SRCD currently receives a greater proportion of funding support from local sources, primarily the Sonoma County Water Agency. SRCD 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.
- SRCD 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.
- SRCD works diligently to continue in-kind and match funding relationships to better leverage our county tax support for the success of SRCD's service to the community. Property tax income was \$100,520. The RDA Increment Reduction, which is a charge of the Petaluma City Redevelopment Agency impacts, the taxes received by SRCD.
- The Board of Directors appropriated general funds by vote and designated specific funding amounts to fulfill SRCD's goals and objectives. These designated funds were for the following programs: a) student education and outreach programs, b) update of SRCD website, and c) prepare documents and maps to update records of levee permit and baylands area.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Overview of the Financial Statements. This discussion and analysis is intended to serve as an introduction to SRCD's basic financial statements. SRCD's basic financial statements comprise three 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 SRCD's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of SRCD'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 SRCD is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 Sonoma Resource Conservation 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 14-16 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 Sonoma Resource Conservation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SRCD's funds are governmental funds.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Fiduciary Fund – Fiduciary funds are used to account for funds held by the Sonoma Resource Conservation 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 23-35 of this report.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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 Sonoma Resource Conservation District, assets exceeded liabilities by \$381,416 at the close of the most recent fiscal year.

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

NET POSITION

Cash and other current assets	\$ 787,235
Investments	\$ 1,154,598
Capital assets, net of accumulated depreciation	14,179
Total assets	<u>\$ 1,956,012</u>
Liabilities due within one year	\$ 353,588
Note payable	8,670
Compensated absences	43,560
Total liabilities	<u>\$ 405,818</u>
Invested in capital assets	\$ 14,179
Permanently restricted fund balance	1,041,867
Temporarily restricted	132,384
Unassigned fund balance	361,764
Total net position	<u>\$ 1,550,194</u>

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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

CHANGES IN NET POSITION

Revenues:	
Program revenues:	
Intergovernmental revenue	\$ 2,155,665
General revenues:	
Property taxes	100,520
Investment income and other	114,681
Total revenues	<u>2,370,866</u>
Expenses:	
Resource conservation	<u>2,218,771</u>
Change in net position	<u>\$ 152,095</u>

Financial Analysis of SRCD's Funds

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

Governmental funds – The focus of the Sonoma Resource Conservation 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 Sonoma Resource Conservation 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, SRCD's governmental funds reported ending fund balance of \$1,504,391, an increase of \$136,329.

SONOMA RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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: SRCD expects lower property tax revenues to continue as a result of the economic downturn. SRCD will continue to apply for federal, state, and local grants and contracts. These factors were considered in preparing SRCD's budget for the fiscal year ending June 30, 2014.

Requests for Information

The financial report is designed to provide a general overview of the Sonoma Resource Conservation District's finances for all those with an interest in SRCD'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, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	120,845
Cash - restricted		69,896
Accounts receivable		518,013
Retentions receivable		64,007
Deposits and prepaid expenses		14,474
Total current assets		787,235

Investments		1,154,598
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Capital assets, net of accumulated depreciation:

Vehicles		10,364
Equipment		3,815
Total capital assets		14,179
Total assets	\$	1,956,012

LIABILITIES

Current liabilities:

Accounts and other payable	\$	283,691
Fiscal agent liability		69,897
Total current liabilities		353,588

Non-current liabilities

Compensated absences		43,560
Note payable		8,670
Total non-current liabilities		52,230
Total liabilities	\$	405,818

Net Position:

Invested in capital assets, net of accumulated depreciation	\$	14,179
Unassigned fund balance		361,764
Temporarily restricted fund balance		132,384
Permanently restricted fund balance		1,041,867
Total net position	\$	1,550,194

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Program Expenses

Resource Conservation:	
Salaries and employee benefits	\$ 827,305
Services and supplies	1,382,209
Interest expense	1,299
Depreciation	7,958
Total program expenses	<u>2,218,771</u>

Program Revenues

Operating Grants and Contributions	
Intergovernmental revenue	1,904,917
Fees for service	181,856
Other revenue	68,892
Total program revenue	<u>2,155,665</u>
Net program revenues (expenses)	<u>(63,106)</u>

General revenues

Property taxes	100,520
Investment earnings	114,681
Total general revenues	<u>215,201</u>

Change in net position	152,095
Net position, beginning of the year	<u>1,398,099</u>
Net position, end of the year	<u><u>\$ 1,550,194</u></u>

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from government, grants, program revenue	\$ 2,059,899
Cash paid to vendors and employees	(2,149,532)
Investment income received	206,568
Net cash provided by operations	<u>116,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in unrestricted cash	4,845
Change in fiscal agent liability	(4,846)
Investment transactions	(188,098)
Net cash used by investing activities	<u>(188,099)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on notes payable	<u>(4,955)</u>
NET CHANGE IN CASH	(76,119)
CASH, beginning of year	<u>196,964</u>
CASH, end of year	<u>\$ 120,845</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net position	\$ 152,095
Adjustments to reconcile change in net position to cash from operations	
Depreciation and amortization	7,958
Unrealized loss on investments	91,887
(Increase) decrease in:	
Receivables	36,881
Prepaid expenses and other assets	(5,320)
Increase (decrease) in:	
Accounts payable and accrued expenses	68,122
Deferred revenue	(234,688)
Total cash provided (used) by operations	<u>\$ 116,935</u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$ 120,845
Due from other government entities	416,193
Retention receivable	81,973
Prepaid expenses and deposits	14,474
Investments	<u>1,154,598</u>
Total assets	<u><u>\$ 1,788,083</u></u>

LIABILITIES and FUND BALANCE

Liabilities:	
Vouchers payable	\$ 231,304
Other current liabilities	<u>52,388</u>
Total liabilities	<u>283,692</u>

FUND BALANCE

Unassigned fund balance	331,827
Restricted fund balance	<u>1,041,867</u>
Total fund balances	<u>1,504,391</u>
Total liabilities and fund balances	<u><u>\$ 1,788,083</u></u>

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, 2014

Fund balances - total government funds		\$ 1,504,391
Amount reported for governmental activities in the statement of net position is different because:		
Net revenues not used for governmental activities		7,752
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		(14,179)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable		8,670
Compensated absences		43,560
Net position of governmental activities		<u>\$ 1,550,194</u>

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 YEAR ENDED JUNE 30, 2014

REVENUES

Property taxes	\$ 100,520
Intergovernmental grants and revenue	1,882,716
Fees for service	181,856
Other revenue	68,891
Unrealized losses on investments	(91,887)
Investment earnings	206,568
Total revenues	2,348,664

EXPENDITURES

Current:	
Salaries and employee benefits	827,305
Services and supplies	1,383,731
Debt sevice	
Interest	1,299
Total expenditures	2,212,335
Excess of revenue over (under) expenditures	136,329
Fund balance, beginning of the year	1,368,062
Fund balance, end of the year	\$ 1,504,391

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 YEAR ENDED JUNE 30, 2014

**Amount reported for governmental activities in the
statement of activities is different because:**

Net change in fund balance - governmental funds	\$	136,329
Net change in restricted fund balances		25,305
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		(7,958)
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.		<u>(1,581)</u>
Change in net position of governmental activities	\$	<u><u>152,095</u></u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

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

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Investment earnings	\$ 4,846
Changes in fiduciary net position	\$ 4,846
Fiduciary net position, beginning	65,051
Fiduciary net position, ending	\$ 69,897

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
STATEMENT OF RESTRICTED NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Endowment</u>
ASSETS	
Investments	\$ 1,154,598
	<u> </u>
NET POSITION	
Permanently restricted net position	\$ 1,154,598
	<u> </u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
 STATEMENT OF CHANGES IN RESTRICTED NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	Endowment
ADDITIONS:	
Investment earnings, net of unrealized gain (loss)	\$ 113,550
DEDUCTIONS:	
Education expenses	(17,338)
Changes in restricted net position	96,212
Permanently restricted net position, beginning	1,058,386
Permanently restricted net position, ending	\$ 1,154,598

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 YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 89,923	\$ 89,923	\$ 100,520	\$ 10,597
Intergovernmental grants and revenue	2,849,070	2,849,070	2,248,144	(600,926)
Investment earnings	35,000	35,000	-	(35,000)
Total revenues	<u>2,973,993</u>	<u>2,973,993</u>	<u>2,348,664</u>	<u>(625,329)</u>
Expenditures, all current:				
Salaries and employee benefits	862,602	862,602	827,305	35,297
Services and supplies	2,033,246	2,033,246	1,385,030	648,216
Total expenditures	<u>2,895,848</u>	<u>2,895,848</u>	<u>2,212,335</u>	<u>683,513</u>
Excess of revenue over expenditures	<u>\$ 78,145</u>	<u>\$ 78,145</u>	<u>\$ 136,329</u>	<u>\$ 58,184</u>

The accompanying notes are an integral part of these financial statements

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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 or Equity

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.

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.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 are 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.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net position, continued

- Unrestricted net position - This category of net position consists of net position that are not restricted for any project or other purpose.

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, 2014. 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 five classifications:

Non-spendable Fund Balance – consists of amounts that are not in a spendable form or are required to be maintained intact

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.

Committed Fund Balance _ consists of amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority and do not lapse at year end. The committed fund balance consists of general board reserves.

Assigned Fund Balance – consists of amounts intended for a specific purpose by a District official that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES

Cash and Investments

The District follows the County's practice of pooling cash and investments with the County Treasurer, except funds held by Exchange Bank for the purpose of payroll tax and other operating remittances. Deposits with Exchange Bank are FDIC insured up to \$250,000.

Investments in Sonoma County Treasurer's Investment Pool

As authorized by Public Resources Code 9521 (a), SRCD's cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon SRCD's pro-rata share of the fair value provided by the Treasury pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an allocated basis quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the county Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California 95403-2871.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in the market interest rates.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES (continued)

Interest Rate Risk, continued

As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2014, the weighted average days to maturity are seven hundred ninety one days.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Governments Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledge securities in the collateral pool must be equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 DETAILED NOTES (continued)

Custodial Credit Risk, continued

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial Credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury pool).

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent five percent or more of the total County investments, refer to the 2013 Sonoma County Consolidated Annual Financial Report (CAFR).

NOTE 4 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, 2014 was \$43,336. Future minimum rental payments required under the above operating are as follows:

2015	\$	46,068
2016		46,068
2017		46,068
2018		48,043
2019		20,365

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 OTHER INFORMATION, continued

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 year ending June 30, 2014 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 36,152	\$ -	\$ (2,700)	\$ 33,452
Equipment	50,043	-	1,222	51,265
Total capital assets, being depreciated	<u>86,195</u>	<u>-</u>	<u>(1,478)</u>	<u>84,717</u>
Less accumulated depreciation for:				
Vehicles	(18,130)	(4,958)	-	(23,088)
Equipment	<u>(47,450)</u>	<u>-</u>	<u>-</u>	<u>(47,450)</u>
Total accumulated depreciation	<u>(65,580)</u>	<u>(4,958)</u>	<u>-</u>	<u>(70,538)</u>
Total capital assets, being depreciated, net	<u>\$ 20,615</u>	<u>\$ (4,958)</u>	<u>\$ (1,478)</u>	<u>\$ 14,179</u>

Changes in long-term liabilities

Long term liability activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 43,560		\$ 43,560	
Note payable	-	-	\$ 8,670	8,670	\$ 4,569
Total long-term liabilities	<u>\$ -</u>	<u>\$ 43,560</u>	<u>\$ 8,670</u>	<u>\$ 52,230</u>	<u>\$ 4,569</u>

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 EMPLOYEE RETIREMENT PLAN

In 2013 the District converted the employee retirement plan with the California Public Employees Retirement System (PERS) from active to inactive. The District employees will remain vested in the PERS cost sharing multi-employer Defined Benefit Pension Plan. The rate plan will be transferred from the current pool to the inactive plan pool following a period of at least one year in which they have no active members.

Beginning on July 1, 2004 California Public Employees Retirement System (PERS) required all participants with fewer than one hundred employees to convert from an agent multiple-employer Defined Benefit Pension Plan to a cost-sharing multiple-employer Defined Benefit Pension Plan. In cost sharing multiple-employer plans, the benefit obligations are pooled. A single actuarial valuation is performed covering all participants, all employers contribute at the same rate, and all plan assets are available to pay plan benefits pertaining to the employees and retirees of any employer.

Plan Description

All full-time employees previously participated in the Public Employees' Retirement Fund (the "Fund") of the State of California Public Employees Retirement System (CalPERS) under the Miscellaneous Plan and Safety Plan of the Sonoma Resource Conservation District. The Fund is a cost-sharing multiple-employer Defined Benefit Plan (DBPP) administered by CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and resolution of the Board.

Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 BUSINESS COMBINATION

On July 1, 2013 Sotoyome Resource Conservation District completed acquisition of Southern Sonoma Resource Conservation District. Through the acquisition the organizations seek to further their conservation missions and achieving economies of scale and other synergies through integrated services.

	<u>Sotoyome</u>	<u>Southern Sonoma</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 19,479	\$ 177,485
Cash - restricted	65,051	-
Accounts and retentions receivable	331,223	289,200
Prepays and deposits	9,154	-
Investments	-	1,058,386
Total current assets	<u>424,907</u>	<u>1,525,071</u>
Capital assets (net of accumulated depreciation)	<u>20,615</u>	<u>-</u>
Total assets	<u>\$ 445,522</u>	<u>\$ 1,525,071</u>
Liabilities		
Current liabilities		
Accounts and other payable	\$ 142,129	\$ 48,861
Deferred revenue	18,989	215,699
Fiscal agent liability	65,051	-
Total current liabilities	<u>226,169</u>	<u>264,560</u>
Non-current liabilities		
Compensated absences	33,936	34,204
Note payable	13,625	-
Total non-current liabilities	<u>47,561</u>	<u>-</u>
Total liabilities	<u>\$ 273,730</u>	<u>\$ 298,764</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 6,990	\$ 43,897
Unassigned fund balances	172,667	124,024
Permanently restricted fund balances	-	1,058,386
	<u>\$ 179,657</u>	<u>\$ 1,226,307</u>

SONOMA RESOURCE CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Endowment net asset composition as of June 30, 2014:

Permanently restricted endowment	\$ 1,058,386
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Changes in endowment for the year ended June 30, 2014

Endowment net assets, beginning of year	\$ 1,058,386
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Additions to permanently restricted endowment	113,550
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Deductions from permanently restricted endowment	<u>(17,338)</u>
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Endowment net assets, end of year	<u><u>\$1,154,598</u></u>
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SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 ENDOWMENT, continued

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 February 25, 2015, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2014 that would have a material impact on the results of operations or financial position.

SONOMA RESOURCE CONSERVATION DISTRICT
ROSTER OF BOARD MEMBERS

<u>Directors:</u>	<u>Office:</u>
Dennis Murphy	President
Vickie Mulas	Vice President
Earle Cummings	Director
Delmar Friedrichson	Director
Garry Mahrt	Director
Ron Rolleri	Director
Walt Ryan	Director
Tom Scott	Director
Steve Thomas	Director
Richard Mounts	Associate Director
Matt Greene	Associate Director
Julie Collins	Associate Director
Raymond Krauss	Associate Director

Regular Meetings

The regular meetings of the Board of Directors are generally held the fourth Tuesday 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.

SUPPLEMENTARY INFORMATION

SONOMA RESOURCE CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Agency</u>	<u>Contract Number</u>	<u>CFDA</u>	<u>Expenditures</u>
DEPARTMENT OF COMMERCE:			
<i>National Oceanic & Atmospheric Administration</i>			
<i>Passed through California Department of Fish and Wildlife</i>			
Austin Creek Sediment Reduction	P1030411	11.438	61,621
Dry Creek Arundo	P1030413	11.438	1,414
Upper Mark West & Maacama Watershed		11.438	18,642
Sheephouse Road Improvement	P1130412	11.438	254,426
Thompson Creek	P1130406	11.438	20,395
DEPARTMENT OF INTERIOR:			
<i>National Fish and Wildlife Foundation</i>			
Conservation Partners		*** 15.663	72,732
Conservation Partners - Phase II		*** 15.663	2,269
<i>Fish and Wildlife Service passed through</i>			
<i>Center for Ecosystem Management and Restoration</i>			
Russian River Coho Water Resources - year 2	NFWF-001	*** 15.663	16,687
Russian River Coho Water Resources - year 3	NFWF-001	*** 15.663	87,594
Russian River Coho Water Resources - year 4	NFWF-001	*** 15.663	46,574
DEPARTMENT OF AGRICULTURE:			
<i>Natural Resources Conservation Service</i>			
Insectaries for Pollinators and Farm Biodiversity	69-3A75-9-156	10.916	147,999
<i>Passed through California Coastal Conservancy</i>			
Farm Bill 169		10.912	21,864
Farm Bill 939		10.912	7,884
Farm Bill 940		10.912	12,939
Gill Creek Salmonid Habitat Enhancement	CCC-08-056	10.912	3,244
ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through Marin Municipal Water District</i>			
EPA Estuary 2100	00734101-0	66.456	78,840
<i>Passed through California State Water Control Resources Board:</i>			
Laguna de Santa Rosa Livestock Planning	11-094-551	*** 66.460	37,842
Laguna de Santa Rosa Farm Water Quality Planning	12-405-252	*** 66.460	34,504
Total Federal expenditures			<u>\$ 927,470</u>

***Denotes major program

See notes to supplemental information

SONOMA RESOURCE CONSERVATION DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 U.S. Office of Management and Budget (OMB), *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 of Sonoma Resource Conservation District, which comprise the statement of financial position as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sonoma Resource Conservation District's basic financial statements, and have issued our report thereon dated February 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goranson and Associates, Inc.

February 25, 2015

Santa Rosa, California

Independent Auditor's Report on Compliance with Requirements That Could Have
a Direct and Material Effect of Each Major Program and Internal Control Over
Compliance Required by OMB *Circular A-133*

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

Report on Compliance for Each Major Federal Program

We have audited Sonoma Resource Conservation District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sonoma Resource Conservation District's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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*, is-sued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 Sonoma Resource Conservation District's compliance.



Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control Over Compliance

Management of 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 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 OMB *Circular A-133*, 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 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 OMB *Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Goranson and Associates, Inc.

February 25, 2015

Santa Rosa, California

SONOMA RESOURCE CONSERVATION DISTRICT
 SCHEDULE OF AUDITOR'S RESULTS, FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	NO

Identification of major programs:

	CFDA Number
Watershed Rehabilitation Program	10.916
National Fish and Wildlife Foundation	15.663
Nonpoint Source Implementation Grants	66.460

Dollar Threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
Auditee qualified as low-risk auditee?	NO

FINDINGS AND QUESTIONED COSTS

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