

**SONOMA RESOURCE
CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma Resource Conservation District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sonoma Resource Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sonoma Resource Conservation District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma Resource Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Implementation of New Accounting Standards

As discussed in Notes 1G, 3 and 4 to the financial statements, Sonoma Resource Conservation District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which became effective for the year ended June 30, 2022 and had material effects on the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Resource Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sonoma Resource Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Resource Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the other required supplementary information as listed in the table of contents 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sonoma Resource Conservation District's 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 2, 2022

Sonoma Resource Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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 year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements (pages 7-14) and the accompanying notes to the basic financial statements (pages 15-27).

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the 2022 fiscal year by \$1,906,828 (net position). Of this amount, there is a balance of unrestricted net position of \$805,611.
- The District total net position increased by \$68,466 in the 2022 fiscal year.
- The District's total debt (including short and long-term liabilities) was \$1,721,301.
- As of the close of the 2022 fiscal year, the District's general fund reported an ending total fund balance of \$918,951, of which \$548,480 was unassigned.

Financial Statements

The District receives a small amount of annual funding generated from property taxes from a Sonoma County General Fund appropriation. In 2022, the District received approximately \$161,049 in ad valorem tax income.

The District leveraged approximately \$2,754,486 of monies from grants, contracts and local contributions with their property tax dollars from the 2022 fiscal year. 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.

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

- The District's major funds report program revenues which include grants totaling \$2,610,156 for the 2022 fiscal year. Competition for grant funding has significantly increased as more groups compete for limited funds.
- The District currently receives funding support from local sources, including the County of Sonoma, Sonoma County Agricultural Preservation & Open Space District, and others. The District provides services such as technical assistance, educational programs, and watershed coordination with this funding.
- The District expects to continue operating with local funds in addition to state and federal funding. Our partnerships with county groups and agencies allow us to work collaboratively and provide services to meet the mutual goals and objectives of the community.

The basic governmental fund financial statements can be found on pages 9-12 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.

Sonoma Resource Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Position and Governmental Funds Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as benefit assessments and service charges.

Sonoma Resource Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, there are two major governmental funds: the General Fund and the Endowment Trust Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$1,906,828 at the close of the 2022 fiscal year.

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

Table 1
Governmental Net Position

	Governmental Activities	
	2022	2021
Current assets	\$ 3,591,936	\$ 2,736,043
Capital assets, net of accumulated depreciation	7,869	10,085
Right to use leased assets, net of accumulated amortization	93,086	-
Total assets	3,692,891	2,746,128
Deferred outflows – net pension liability	30,787	47,907
Current liabilities	1,638,637	752,276
Long-term liabilities	82,664	166,771
Total liabilities	1,721,301	919,047
Deferred inflows – net pension liability	95,549	36,626
Net position:		
Invested in capital assets	7,869	10,085
Restricted	1,093,348	1,158,056
Unrestricted	805,611	670,221
Total net position	\$ 1,906,828	\$ 1,838,362

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

Sonoma Resource Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2022

Table 2
Changes in Governmental Net Position

	Governmental Activities	
	2022	2021
Revenues		
Program revenues:		
Operating grants and contracts	\$ 2,702,136	\$ 2,927,504
Charges for services	52,350	67,302
General revenues:		
Taxes and other	161,153	163,488
Total revenues	2,915,639	3,158,294
Program Expenses		
Resource conservation	2,847,173	3,005,805
Total expenses	2,847,173	3,005,805
Change in net position	\$ 68,466	\$ 152,489

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 \$2,012,299, a change of \$28,532 at the close of the 2022 fiscal year.

General Fund Budgetary Highlights

General Fund intergovernmental grants and revenue were below budget by \$478,282, which is a result of delayed implementation of conservation projects. An offset to this decrease in intergovernmental revenue was a \$58,918 combined increase in fee for service and other revenue, as well as a \$22,049 increase in property taxes, resulting in total revenues being under budget by \$424,289.

General Fund total expenditures were below budget by \$442,723. The largest component was related to unspent contractor services and supplies due to the delayed implementation of conservation projects. Personnel costs were also lower than anticipated. Debt service principal and interest were above budget due to GASB 87 implementation. Similarly, other financing sources was above budget by \$112,712 due to GASB 87 implementation.

Requests for Information

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

Sonoma Resource Conservation District

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 605,900
Accounts receivable	87,714
Due from other government entities	873,627
Retention receivable	26,324
Deposits and prepaid items	47,396
Restricted cash and investments	1,950,975
Right to use leased assets, net of accumulated amortization	93,086
Capital assets, net of accumulated depreciation:	
Equipment	<u>7,869</u>
Total assets	<u>3,692,891</u>
Deferred outflows-net pension liability	<u>30,787</u>
 LIABILITIES	
Accounts payable and other accrued expenses	130,917
Deferred revenue	1,348,101
Compensated absences	100,619
Leases payable	59,000
Long-term liabilities:	
Leases payable	35,241
Notes payable	22,923
Net pension liability	<u>24,500</u>
Total liabilities	<u>1,721,301</u>
Deferred inflows-net pension liability	<u>95,549</u>
 Net position:	
Invested in capital assets, net of accumulated depreciation:	7,869
Restricted net position	1,093,348
Unrestricted net position	<u>805,611</u>
Total net position	<u><u>\$ 1,906,828</u></u>

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

Sonoma Resource Conservation District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Governmental Activities</u>
Program expenses:	
Resource conservation:	
Salaries and employee benefits	\$ 1,314,732
Services and supplies	1,437,558
Interest expense	5,248
Amortization expense	58,792
Depreciation	<u>2,216</u>
Total program expenses	<u>2,818,546</u>
Program revenues:	
Operating grants:	
Intergovernmental revenue	2,572,782
Foundation grants and revenue	37,374
Fees for service	52,350
Other revenue	<u>91,980</u>
Total program revenue	<u>2,754,486</u>
Net program expense	<u>(64,060)</u>
General revenues:	
Property taxes	161,049
Investment earnings	<u>(28,523)</u>
Total general revenues	<u>132,526</u>
Changes in net position	68,466
Beginning net position	<u>1,838,362</u>
Ending net position	<u><u>\$ 1,906,828</u></u>

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

Sonoma Resource Conservation District
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2022

	General Fund	Endowment Trust Fund	Total
Assets			
Cash and cash investments	\$ 605,900	\$ -	\$ 605,900
Accounts receivable	87,714	-	87,714
Due from other government entities	873,627	-	873,627
Retention receivable	26,324	-	26,324
Prepaid items and deposits	47,396	-	47,396
Restricted cash and investments	857,627	1,093,348	1,950,975
Total assets	\$ 2,498,588	\$ 1,093,348	\$ 3,591,936
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 35,958	\$ -	\$ 35,958
Other current liabilities	94,959	-	94,959
Deferred revenue	1,348,101	-	1,348,101
Compensated absences	100,619	-	100,619
Total liabilities	1,579,637	-	1,579,637
Fund balance:			
Nonspendable fund balances	47,396	1,001,260	1,048,656
Restricted fund balance	-	92,088	92,088
Assigned fund balance	323,075	-	323,075
Unassigned fund balance	548,480	-	548,480
Total fund balances	918,951	1,093,348	2,012,299
Total liabilities and fund balances	\$ 2,498,588	\$ 1,093,348	\$ 3,591,936

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, 2022

Fund balances-total government funds	\$ 2,012,299
Amount reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets	69,865
Accumulated depreciation	(61,996)
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Right to use assets	151,878
Accumulated amortization	(58,792)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Notes payable	(22,923)
Leases payable	(94,241)
Deferred outflows	30,787
Deferred inflows	(95,549)
Net pension liability	(24,500)
Net position of governmental activities	<u>\$ 1,906,828</u>

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

Sonoma Resource Conservation District
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2022

Revenues	General Fund	Endowment Trust Fund	Total
Property taxes	\$ 161,049	\$ -	\$ 161,049
Intergovernmental grants and revenue	2,572,782	-	2,572,782
Foundation grants and revenue	37,374	-	37,374
Fees for service	52,350	-	52,350
Investment earnings	104	(28,627)	(28,523)
Other revenue	91,980	-	91,980
Total revenues	<u>2,915,639</u>	<u>(28,627)</u>	<u>2,887,012</u>
Expenditures			
Current:			
Salaries and employees benefits	1,314,732	-	1,314,732
Services and supplies	1,615,978	6,884	1,622,862
Debt services:			
Principal	67,516	-	67,516
Interest	5,248	-	5,248
Total expenditures	<u>3,003,474</u>	<u>6,884</u>	<u>3,010,358</u>
Excess of revenues over (under) expenditures	<u>(87,835)</u>	<u>(35,511)</u>	<u>(123,346)</u>
Other financing sources (uses)			
Lease liabilities issued	151,878	-	151,878
Transfers in	20,966	-	20,966
Transfers out	-	(20,966)	(20,966)
Total other financing sources (uses):	<u>172,844</u>	<u>(20,966)</u>	<u>151,878</u>
Net change in fund balances	85,009	(56,477)	28,532
Fund balances, beginning of the year	<u>833,942</u>	<u>1,149,825</u>	<u>1,983,767</u>
Fund balances, end of the year	<u>\$ 918,951</u>	<u>\$ 1,093,348</u>	<u>\$ 2,012,299</u>

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

Sonoma Resource Conservation District
RECONCILIATION OF THE
STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE
STATEMENT OF ACTIVITIES
June 30, 2022

Net change in fund balance - total governmental funds	\$	28,532
<p>The changes in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>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</p>		
Right to use leased asset capital outlay expenditures which were capitalized		151,878
Current year depreciation		(2,216)
Amortization expense for intangible assets		(58,792)
<p>Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets.</p>		
Note payable		9,879
Lease payable		57,637
<p>Receipt of the proceeds of long-term debt increases the current financial resources of governmental funds. These transactions do not have any affect on net assets.</p>		
		(151,878)
<p>The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		33,426
Changes in net position of governmental activities	\$	68,466

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

Sonoma Resource Conservation District
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 June 30, 2022

	Private Purpose Trust Fund
Assets	
Cash and investments	\$ 253,162
Net Position	
Held in trust for Laguna Valley Mitigation Bank	\$ 253,162

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

Sonoma Resource Conservation District
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 June 30, 2022

	Private Purpose Trust Fund
Additions:	
Sale of mitigation credits	\$ 300,000
Investment earnings	(7,409)
Total additions	292,591
Deductions:	
Services and supplies	340,700
Total deductions	340,700
Changes in fiduciary net position	(48,109)
Fiduciary net position, beginning	301,271
Fiduciary net position, ending	\$ 253,162

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

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sonoma Resource Conservation District (the District) is a California special district governed by a seven-member board of directors who serve voluntarily and are appointed by the Sonoma County Board of Supervisors. The District develops soil and water conservation programs in Sonoma County as noted in 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 Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall District government.

The District's basic financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Fund Financial Statements are presented after the government-wide financial statements. These statements display information about major funds individually in a separate column and non-major funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the District primarily represent assets held by the District in a custodial capacity for other individuals or organizations. The District's fiduciary funds include one Private-Purpose Trust Fund. The Private-Purpose Trust Fund holds and manages assets on behalf of the Laguna Valley Mitigation Bank.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

The District reported the following major governmental funds in the accompanying financial statements:

General Fund – The General Fund is the main operating fund of the District. This fund is used to account for financial resources not accounted for in other funds.

Endowment Trust Fund – these funds are restricted by donors for funding agricultural education programs. The District can use the investment earnings to fund programs but not the principal. This is a permanent governmental fund type.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the times liabilities are *incurred*, regardless of when the related cash flow takes place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Formal budgetary integration is employed as a management control device.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 15 to 20 years for field equipment, 5 to 10 years for office equipment, and 8 to 10 years for vehicles. Depreciation expense for the year ended June 30, 2022 was \$2,216.

G. Right to Use Asset

The District has recorded a right to use asset. The asset is the right to use office space. The related leases are discussed in the Lease subsection of Note 3. The right to use assets are amortized on a straight-line basis over the terms of the related leases.

H. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

I. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sonoma Resource Conservation District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Risk Management

The District is covered for commercial, general liability, 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Assets, Liabilities, and Net Position

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.

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.

Due from Other Governments

Grant and contract revenues which have been earned but not received at the end of the fiscal year.

Compensated Absences

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

Net Position

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

- Net investment in capital assets - 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.
- Unrestricted - This category of net position consists of fund positions that are not restricted for any project or other purpose.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. Assets, Liabilities, and Net Position (concluded)

Fund Financial Statements:

Non-spendable Fund Balance – Includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory, leases receivable more than deferred inflows of resources, prepaid items or 2) it is legally or contractually required to be maintained intact.

Unassigned Fund Balance – The residual classification for the government’s general fund that includes all amounts not contained in other classifications.

Assigned Fund Balance – Amounts intended to be used by the government for specific purposes but that do not meet the criteria to be classified as restricted or committed.

Restricted Fund Balance – Amounts restricted by parties outside the District (such as creditors, grantors, contributors, laws and regulations of other governments).

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 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 - CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2022:

Cash and investments:	
Governmental activities	\$ 605,900
Private Purpose Trust (fiduciary fund)	<u>253,162</u>
Subtotal cash and investments	<u>859,062</u>

Restricted cash and investments:	
Governmental activities	<u>1,950,975</u>
Total cash and investments	<u>\$ 2,810,037</u>

Cash and investments as of June 30, 2022 consisted of the following:

Deposits with financial institutions	\$ 1,466,085
Investments	<u>1,343,952</u>
Total cash and investments	<u>\$ 2,810,037</u>

Authorized Investments

Under provision of the District’s Investment Policy, the District may invest in the instruments defined in 53601 et seq, of the California Government Code, including but not limited to: County of Sonoma cash and investment pool, Municipal Bonds, and Negotiable Certificates of Deposit.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - CASH AND INVESTMENTS (continued)

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2022:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Deposits with financial institutions	\$ -	\$ -	\$ 1,466,085	\$ 1,466,085
Sonoma County Treasurer's Investment Pool	-	603,085	-	603,085
Municipal Bonds/Time deposits	-	740,867	-	740,867
Equities	-	-	-	-
Total cash and investments	<u>\$ -</u>	<u>\$ 1,343,952</u>	<u>\$ 1,466,085</u>	<u>\$ 2,810,037</u>

Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

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 California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of at least 150% of the secured public deposits. The District's financial institutions also have insurance through the Federal Deposit Insurance Corporation (FDIC). The District's investment policy has no additional provisions for limiting custodial credit risk for deposits.

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.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - CASH AND INVESTMENTS (concluded)

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for investments; however, it is the practice of the District that all investments are insured, registered or held by the District's custodial agent in the District's name.

<u>Investment Type</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Remaining Maturity in Years</u>
Municipal bonds/Time deposits	AA	\$ 740,867	0.52-8.37%	8/23-9/30	1-9
Not rated:					
Deposits with financial institutions		1,466,085	N/A	N/A	N/A
Sonoma County Treasurer's Investment Pool		<u>603,085</u>	N/A	N/A	N/A
Total cash and investments		<u>\$ 2,810,037</u>			

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 to changes in market interest rates. The District's investment policy limits interest rate risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short 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.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the preceding table that shows the distribution of the District's investments by maturity. The remaining maturity of the District's investments included in the table above is based on the stated maturity dates of the individual investments, except in the case of variable rate investments where the maturity date above is the next reset date. Variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates based on predefined mathematical formulas. The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

Investment in the Sonoma County Treasurer's Investment Pool (Treasury Pool)

The District's Fiduciary funds and a portion of the District's Endowment funds cash is pooled with the Sonoma County (the County) Treasurer. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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 amortized cost basis. Interest earned on investments pooled with the County is allocated 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.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 - CAPITAL ASSETS AND RIGHT TO USE ASSETS

Capital asset activity for the year ending June 30, 2022 is as follows:

	Balance as of July 1, 2021	Additions	Deletions	Balance as of June 30, 2022
Capital assets, being depreciated:				
Vehicles	\$ 33,452	\$ -	\$ -	\$ 33,452
Equipment	36,412	-	-	36,412
Total capital assets, being depr.	69,864	\$ -	\$ -	69,864
Less accumulated depreciation	(59,779)			(61,995)
Total capital assets, net	<u>\$ 10,085</u>			<u>\$ 7,869</u>

Right to use asset activity for the year ending June 30, 2022 is as follows:

	Balance as of July 1, 2021	Additions	Deletions	Balance as of June 30, 2022
Leased office space	\$ -	\$ 151,878	\$ -	\$ 151,878
Less accumulated amortization	-	58,792	-	58,792
Total	<u>\$ -</u>	<u>\$ 93,086</u>	<u>\$ -</u>	<u>\$ 93,086</u>

NOTE 4 - LEASES

The District leases its facilities under a five-year operating lease that expires January 2024. The lease liability is measured at a discount rate of 3%. The rate was determined using the risk free 52-week treasury bill rate. The District has recorded a right to use asset with a net book value of \$93,086 at June 30, 2022

The District also rents storage space at the same location for \$185 per month on a month to month basis and qualifies as a short term lease under GASB 87. Future minimum rental payments required under the above lease are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 59,000	\$ 2,020	\$ 61,020
2024	35,241	353	35,594
Total	<u>\$ 94,241</u>	<u>\$ 2,373</u>	<u>\$ 96,614</u>

	Balance 7/1/21	Additions	Deletions	Balance 6/30/22
<u>Lease payable</u>				
Leased office space	<u>\$ -</u>	<u>\$ 151,878</u>	<u>\$ 57,637</u>	<u>\$ 94,241</u>

NOTE 5 - NOTES PAYABLE

The District has a \$ 50,000 line of credit with a local financial institution. The term originated June 2022 and any outstanding balance in August 2025 converts to 5-year term loan which expires July 2030. At June 30, 2022, the current interest rate is 6.50 percent and the balance is \$-0-. There is no formal amortization schedule for the line of credit.

The District has a loan with a local financial institution. The term originated March 2019 in the amount of \$50,000 and expires March 2024. Interest rate is 6.49 percent. The balance is \$22,923 at June 30, 2022. There is no formal amortization schedule for the loan.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions

The District is responsible for separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. As of June 30, 2022, the District has no active CalPERS employees; however, the District remains responsible for sufficient funding to continue paying the retirement and death benefits to CalPERS members or beneficiaries of members already retired. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (Classic) and age 57 (PEPRA) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	57 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.5%
Required employer contribution rates	12.429%	6.93%

The District's Miscellaneous Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two miscellaneous rate plans.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plan (concluded)

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>
Contributions – employer	\$15,035

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 24,500

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	.0032%
Proportion - June 30, 2021	.0013%
Change – Increase (Decrease)	(.0019%)

For the year ended June 30, 2022, the District recognized pension expense of \$18,391. On June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 15,035	\$ -
Differences between actual and expected experience	2,748	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	21,389
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	13,004	74,160
Total	\$ 30,787	\$ 95,549

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
 (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2023	\$	(27,462)
2024		(26,467)
2025		(19,957)
2026		(5,911)
Thereafter		-

Actuarial Assumptions

For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses: includes inflation.
Retirement Age	The probabilities of Retirement are based on the Dec 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the Dec 2017 CalPERS Experience Study based on data observed from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

Change of Assumptions

The discount rate of 7.15 percent was used for the June 30, 2021 measurement date. All other assumptions for the June 30, 2020 measurement date were the same as those used for the June 30, 2021 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long term (11-60 years) using a building block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Allocation as of 6/30/21</u>
Public Equity	50%
Private Equity	8%
Global Fixed Income	28%
Liquidity	1%
Real Assets	13%
Inflation Sensitive Assets	<u>0%</u>
Total	<u><u>100%</u></u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$141,272
Current Discount Rate	7.15%
Net Pension Liability	\$24,500
1% Increase	8.15%
Net Pension Liability	(\$72,034)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Sonoma Resource Conservation District
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (concluded)

Defined Contribution Plan

The District has a Simple IRA plan for their employees. The District provides a match of employee's elective deferrals on a dollar-for-dollar basis up to three percent of the employee's compensation annually. The District contributed \$30,678 to the plan for the fiscal year ended June 30, 2022.

Sonoma Resource Conservation District

ROSTER OF BOARD MEMBERS

June 30, 2022

Regular Meeting

The regular meetings of the Board of Directors are generally held the fourth Thursday of each month starting at 10:45 am, at 1221 Farmers Lane, North Wing Conference Room, Suite 400 in Santa Rosa, California. Due to the COVID-19 pandemic, and in accordance with CA Executive Order N-29-20, this fiscal year's meetings were held via teleconference using the Zoom platform. Meetings are open to the public.

<u>Directors:</u>	<u>Office:</u>
John Nagle	Chair
Jennifer Kuszmar	Vice Chair
Ariana Reguzzoni	Director
Ron Rolleri	Director
Beth Bruzzone	Director
Vickie Mulas	Director
Bruce Abelli-Amen	Director

REQUIRED SUPPLEMENTAL INFORMATION

Sonoma Resource Conservation District
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
June 30, 2022
(Unaudited)

	Budget Amount			
Revenue:	Original	Final	Actual	Variance
Property tax	\$ 139,000	\$ 139,000	\$ 161,049	\$ 22,049
Intergovernmental grants and revenue	3,051,064	3,051,064	2,572,782	(478,282)
Foundation grants and revenue	64,404	64,404	37,374	(27,030)
Fee for service	41,876	41,876	52,350	10,474
Investment earnings	48	48	104	56
Other revenue	43,536	43,536	91,980	48,444
Total Revenues	3,339,928	3,339,928	2,915,639	(424,289)
 Expenditures, all current:				
Salaries and employee benefits	1,340,887	1,340,887	1,314,732	26,155
Service and supplies	2,062,948	2,062,948	1,615,978	446,970
Debt services:				
Principal	39,878	39,878	67,516	(27,638)
Interest expense	2,484	2,484	5,248	(2,764)
Total expenditures	3,446,197	3,446,197	3,003,474	442,723
Excess of revenue over (under) expenditures	(106,269)	(106,269)	(87,835)	18,434
 Other financing sources (uses)				
Debt proceeds	30,000	30,000		(30,000)
Lease liabilities issued			151,878	151,878
Transfers in	30,132	30,132	20,966	(9,166)
Transfers out	-	-	-	-
Total other financing sources (uses):	60,132	60,132	172,844	112,712
Net change in fund balances	\$ (46,137)	\$ (46,137)	85,009	\$ 131,146
Fund balance, beginning of the year			833,942	
Fund balance, end of the year			\$ 918,951	

Sonoma Resource Conservation District
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

As of June 30, 2022

Last 5 Years

<u>Measurement Date</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability	0.0013%	0.0032%	0.0029%	0.0027%	0.0037%
Proportionate share of the net pension liability	\$ 24,500	\$ 133,969	\$ 117,330	\$ 102,413	\$ 146,936
Covered - employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	97.23%	84.74%	86.55%	88.16%	78.86%

NOTES TO SCHEDULE:

Changes in Benefit Terms

None

Changes in Assumptions

None

*Schedule is intended to show information for 10 years.
 Additional years will be displayed as they become available.

**Fiscal year 2018 was the first year of implementation.

Sonoma Resource Conservation District
SCHEDULE OF CONTRIBUTIONS

As of June 30, 2022

Last 5 Years

<u>SCHEDULE OF CONTRIBUTIONS (Fiscal Year End)</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 15,035	\$ 14,134	\$ 11,287	\$ 7,582	\$ 5,844
Contributions in relation to the actuarially determined contributions	<u>(15,035)</u>	<u>(14,134)</u>	<u>(11,287)</u>	<u>(7,582)</u>	<u>(5,844)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll during the fiscal year	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES TO SCHEDULE:

Changes in Benefit Terms

None

Changes in Assumptions

None

*Schedule is intended to show information for 10 years.
 Additional years will be displayed as they become available.

**Fiscal year 2018 was the first year of implementation.