

MARIN RESOURCE CONSERVATION DISTRICT

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**MARIN RESOURCE CONSERVATION DISTRICT
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

Financial Statements	Page
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-8
Governmental Fund Balance Sheet / Statement of Net Position.....	9
Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance / Statement of Activities	10
Notes to Financial Statements	11-20
 Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	21
 Supplementary Information	
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	22
Schedule of Expenditures of Federal Awards	23
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Independent Auditors' Report on Compliance with Requirements That Could Have A Direct And Material Effect On Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 Costs.....	26-27
Schedule of Findings and Questioned Costs.....	28
Summary Schedule of Prior Audit Findings	29

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marin Resource Conservation District
Point Reyes Station, CA

Report on Financial Statements

We have audited the accompanying basic financial statements of Marin Resource Conservation District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Marin 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 Organization'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 Organization'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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of Marin Resource Conservation District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

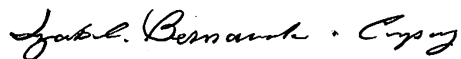
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3 through 8 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, 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 October 8, 2015, on our consideration of Marin 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 Marin Resource Conservation District's internal control over financial reporting and compliance.



San Francisco, California

October 8, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**



BACKGROUND

Marin Resource Conservation District (District/MRCD)'s history dates back to the late 1950's. After the "Dust Bowl" Federal and State governments began to recognize that erosion was a number one priority if the country was to continue to be a leader in agricultural production. Non-regulatory Conservation Districts were authorized to increase leadership and provide assistance at the local level to landowners, ranchers, and farmers. California recognized their importance, and in 1938 authorized their formation. MRCD was formed in 1959.

MRCD receives annual funding from a County General Fund appropriation by the Marin County Board of Supervisors. In the year period from fiscal year 2014 to 2015, the MRCD received \$100,000 from the County General Fund. MRCD's other funding comes from competitively sought government grants from local, state, and federal regulatory agencies. Funds from local foundations and other private sources were received.

FINANCIAL HIGHLIGHTS

- The District's net assets ending June 30, 2015 were \$217,122.
- The District's revenue for the year ending June 30, 2015 is \$1,426,349 of which the major sources are Federal, State, Local grants of \$1,226,692. The majority of these funds are used to fund various program areas with approximately 26% used for planning and 59% for restoration construction. Funds, not financially administered by the MRCD, are applied to construction projects as matching contributions.
- The annual allocation from the Marin County General Fund was \$100,000 which was used to support District programs and to partially offset operational costs that were not covered by Local, State or Federal grants. Funding supports annual training and education of MRCD staff, non-recoverable accounting costs, ongoing monitoring and maintenance of completed projects, and production.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**

USING THIS MANAGEMENT REPORT

- The Governmental Funds/General Fund and Governmental Fund/Statement of Net Assets are presented on pages 9 and 10 in a combined format. The adjustments column reconciles the two types of financial statements. The notes to the financial statements (pg 11-20) explain the adjustments column.
- Governmental Funds/General Fund, expenditures (first column on pages 9 and 10) are presented using modified accrual basis of accounting and as such it excludes retention receivable, retention payable, accrued vacation and additions and depreciation to capital assets.
- Government Fund/Statement of Net Assets (third column on pages 9 and 10) are presented using full accrual basis of accounting and as such all receivables and payables of the District are included regardless of the timing of the related cash flows.
- The Statement of Net Assets on page 9 presents information on all of the District's assets and liabilities, with the difference between the two reported as Total Fund Balance/Net Assets.
- The Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on page 10, presents information reflecting how the District's Fund Balance/Net Assets changed during the year ended June 30, 2015. All changes in net assets (third column on page 10) are reported as soon as the event occurs, regardless of the timing of the related cash flows.
- Notes to Financial Statements on pages 11 to 20 provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- The Budgetary Comparison Schedule on page 21 reviews all revenues and expenditures for the year ending June 30, 2015, comparing our original and final budget for the year ending June 30, 2015 to the actual results of operations for the same period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**

REPORTING ON THE DISTRICT AS A WHOLE

Changes in the District's net assets measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Below is a summary of the District's net assets as of June 30, 2015 and the changes in net assets for the year ending June 30, 2015.

Net Position as of June 30, 2015

Current and Other Assets	\$	975,643
Equipment, Net of Depreciation		4,567
Total Assets		980,210
Current Liabilities		763,088
Total Liabilities		763,088
Unreserved, Undesignated		212,555
Investment in Fixed Assets		4,567
Total Net Position	\$	217,122

Changes in Net Position for the year ending June 30, 2015

Revenues

Program Revenues

Restoration/Construction	\$	838,375
Education/Outreach		13,006
Monitoring/Evaluation		3,531
Planning, Permitting, Engineering		371,780
Total Program Revenues		1,226,692

General Revenues

County Contribution		100,000
Other		99,657
Total General Revenues		199,657
Total Revenues		1,426,349

Expenses

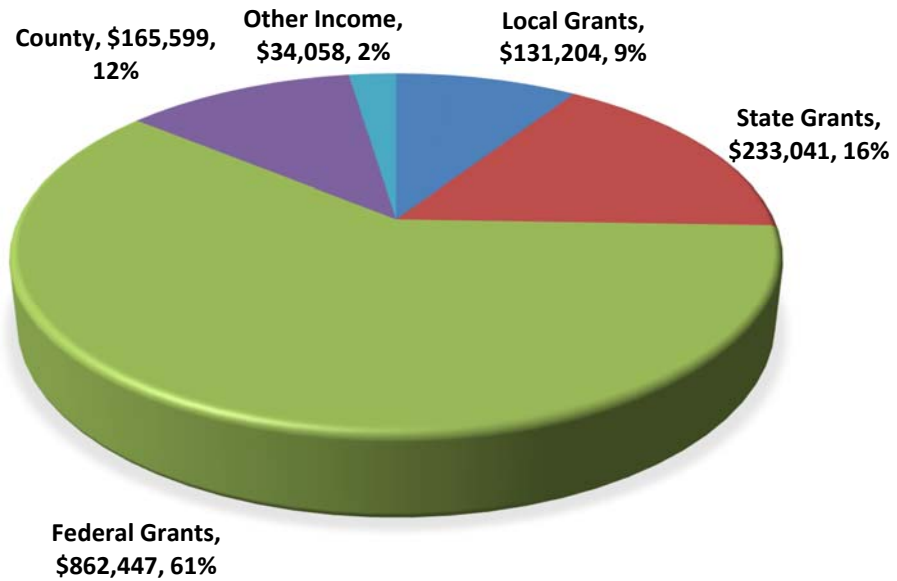
Program		1,311,619
General and Administrative		109,156
Total Expenses		1,420,775
Increase in Net Position		5,574
Net Position – Beginning of the Year		211,548
Net Position – End of the Year	\$	217,122

The overall financial position and result of District operations remains in good standing, showing a net position of \$217,122. A small \$5,574 net increase is reflected at the end of Fiscal Year 2014-2015. In this fiscal year, personnel staff increased and; funded by the County of Marin. The budget also reflects an increase in office rental space to accommodate added personnel.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**

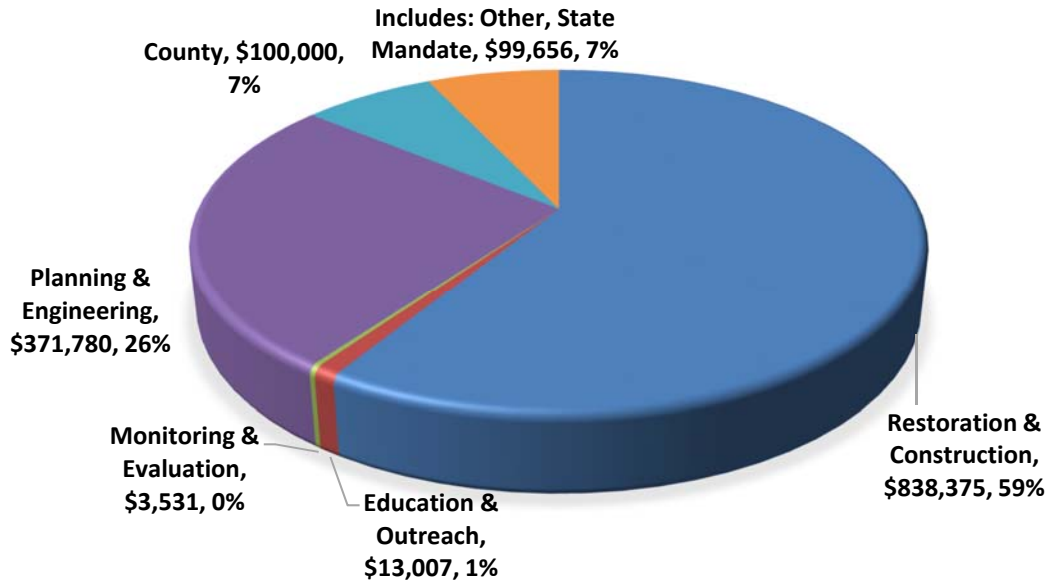
Revenue for the year ending June 30, 2015 is \$1,426,349. The District revenues and expenses consist of 61% Federal, 16% State, and 9% local grants. Federal grants were represented in budgets associated with the Environmental Protection Agency / State Water Resources Control Board Nonpoint Source Implementation and US Department of Interior / CA Department of Fish and Wildlife Pacific Coast Salmon Recovery Programs.

Exhibit 1 reflects the source of revenue



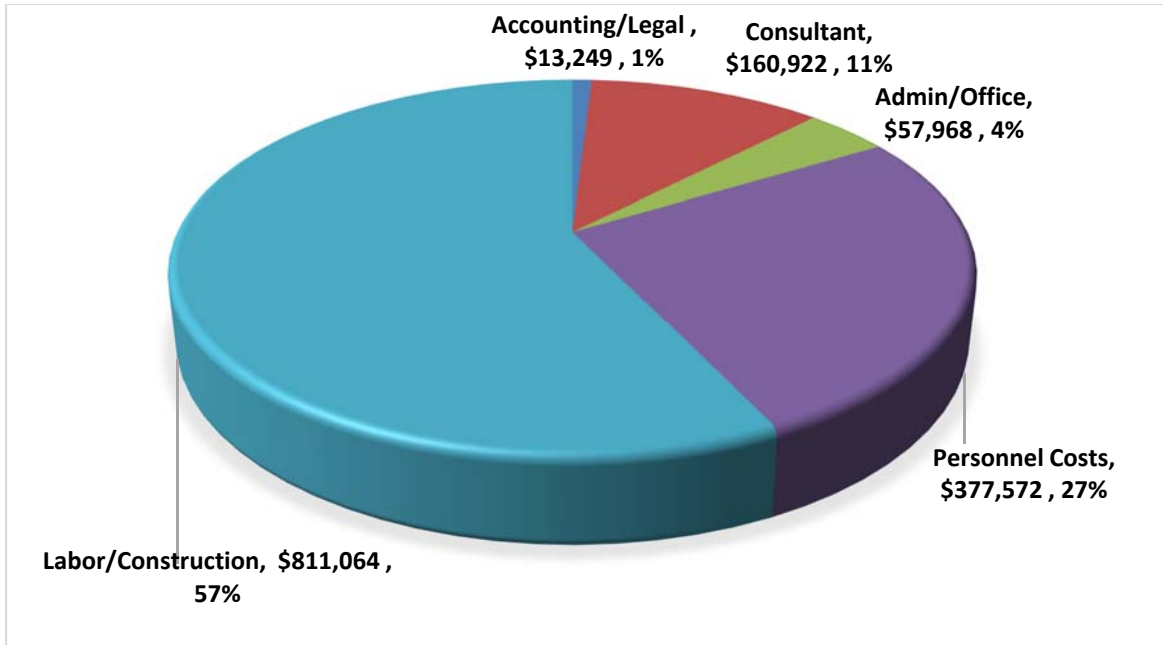
The District's Restoration and Construction Program comprises 59% of the overall budget. \$543,421 of the program is due to the initiation of the Pine Gulch Creek Instream Flow Enhancement Project which has been in the planning and permitting process for a few years. This project will continue into the next fiscal year.

Exhibit 2 reflects revenue associated to the different programs



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**

Exhibit 3 reflects the expenses for the year ending June 30, 2015



Based on an analysis of the overall financial position and operations as represented above, a few recommendations are presented to the Board for consideration:

1. Reserve Policy. The District currently does not have a reserve policy in place. A policy will ensure there is available cash reserves for staff during budgetary shortfalls, maintenance for emergency project repairs or for the payment of vendors during high construction season, prior to reimbursement of grantors.
2. Capitalization Policy. A capitalization policy will define the District's calculation of assets so that they are clearly reflected in financial documents and depreciation values are properly calculated.
3. Diversification of Revenue Sources. The District should seek to balance Federal, State and Local grant revenues whenever possible. The District is currently somewhat vulnerable with a majority of funding derived from Federal sources. Balancing fund source will avoid potential funding shortfalls due to government shutdown or sequesters.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014-2015**

BUDGETARY HIGHLIGHTS AND BUDGETARY COMPARISON

The difference between final budget and actual governmental fund revenue, expenditures and changes in fund balance for the year ending June 30, 2015 is:

	<u>Budgeted</u>	<u>Actual</u>
Total Revenues	\$ 1,296,674	\$ 1,426,349
Total Expenditures	<u>1,296,674</u>	<u>1,420,775</u>
Revenue Over (Under) Expenditures	-	5,574
Net Change in Fund Balance	-	5,574
Fund Balances, Beginning of Year	<u>211,548</u>	<u>211,548</u>
Fund Balances, End of Year	<u>\$ 211,548</u>	<u>\$ 217,122</u>

There is a variation of approximately \$130,000 increase in expected revenue. This difference is due to more construction project expenses that were realized within the year. The anticipation of construction services is frequently under/overestimated since there are many planning, design and permitting delays that affect the construction season. Although the timing of construction services is often miscalculated, expenses are never initiated unless they are reimbursable with secured grant funding which is why the increase in revenue shown above is also reflected in the increase of expenditures.

Upon analyzing current financial conditions of the district, it is expected that next year's fiscal year will be relatively stable. This decision is based on the following: 1) a secured County contribution of \$100,000 and 2) a secured \$3,384,806 in grant funding which are currently under contractual agreement and planned for the next fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and agencies with general overview the District's finance and to reflect the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Scolari, Executive Director at P.O. Box 1146, Point Reyes Station, CA 94956, (415)663-1170.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
& FUND FINANCIAL STATEMENTS**

**MARIN RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET POSITION
JUNE 30, 2015**

	GOVERNMENTAL FUND		STATEMENT OF NET POSITION
	General Fund	ADJUSTMENTS Note 2C	
ASSETS			
Current Assets			
Cash and Cash Equivalents (Note 3)	\$ 256,040	\$ -	\$ 256,040
Accounts Receivable (Note 4)	686,744	32,235	718,979
Other Assets	624		624
Total Current Assets	<u>943,408</u>	<u>32,235</u>	<u>975,643</u>
Capital Assets - Net of Accumulated Depreciation (Note 5)			
	5,149	(582)	4,567
Total Capital Assets	<u>5,149</u>	<u>(582)</u>	<u>4,567</u>
TOTAL ASSETS	<u><u>\$ 948,557</u></u>	<u><u>\$ 31,653</u></u>	<u><u>\$ 980,210</u></u>
LIABILITIES			
Accounts Payable (Note 6)	\$ 497,635	\$ 82,644	\$ 580,279
Accrued Salaries	9,908	-	9,908
Accrued Employee Leave (Note 2L)	-	12,530	12,530
Capital Lease Liability	-	1,231	1,231
Unearned Revenue	159,140	-	159,140
Total Liabilities	<u><u>\$ 666,683</u></u>	<u><u>\$ 96,405</u></u>	<u><u>\$ 763,088</u></u>
FUND BALANCE / NET POSITION			
Unreserved, Undesignated	\$ 281,874	\$ (69,319)	\$ 212,555
Investment in Fixed Assets	-	4,567	4,567
Temporarily Restricted Net Assets (Note 8)	-	-	-
Total Fund Balance/Net Position	<u><u>\$ 281,874</u></u>	<u><u>\$ (64,752)</u></u>	<u><u>\$ 217,122</u></u>

See notes to the financial statements

**MARIN RESOURCE CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	GOVERNMENTAL		
	FUND		
	General Fund	ADJUSTMENTS NOTE 2C	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Program	\$ 1,228,975	\$ 82,644	\$ 1,311,619
General and administration	93,290	15,866	109,156
Capital outlay	1,523	(1,523)	-
Total Expenditures/Expenses	<u>1,323,788</u>	<u>96,987</u>	<u>1,420,775</u>
PROGRAM REVENUES:			
Federal Aid	830,212	32,235	862,447
State Aid	233,041	-	233,041
Local Aid	131,204	-	131,204
Total Program Revenues	<u>1,194,457</u>	<u>32,235</u>	<u>1,226,692</u>
Net Program Expense			<u>194,083</u>
GENERAL REVENUES:			
County grant	100,000	-	100,000
Other	99,657	-	99,657
Total General Revenues	<u>199,657</u>	<u>-</u>	<u>199,657</u>
Excess (Deficiency) of Revenues Over Expenditures / Change in Net Position	70,326	(64,752)	5,574
FUND BALANCE/NET POSITION:			
Beginning of the Year	<u>211,548</u>	<u>-</u>	<u>211,548</u>
End of the Year	<u>\$ 281,874</u>	<u>\$ (64,752)</u>	<u>\$ 217,122</u>

See notes to the financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 1: DESCRIPTION OF ENTITY

The Marin Resource Conservation District (District), a division of the State government, was formed in 1959 under Division 9 of the California Public Resources Code and covers most of western Marin County. The District's mission is to conserve and enhance Marin's natural resources, including soil, water, vegetation, and wildlife. The District serves as a liaison for State, Federal, and local resources, helping to prioritize problems and implement programs in their areas. The District's governmental powers are exercised through a five member Board of Directors.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Financial Reporting Entity

The GASB has issued Statement No. 39 "Determining Whether Certain Organizations are Component Units", which requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria:

- a. The economic resources raised and held by the affiliated organization is almost entirely for the benefit of the District.
- b. The District is entitled to or has the ability to access the funds raised by the affiliated organization.
- c. The funds held by the affiliated organization are considered significant to the District.

The District has not presented any organization as component units under GASB 39.

C. Basis of Presentation

Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances using accounting methods similar to those of a private-sector business.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources as of the end of the fiscal year, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges paid by the recipients of goods or services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The District has one fund, the governmental fund within which there is one major governmental fund – General Fund, which is the District's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in other funds. The District's fund financial statements consist of Governmental Fund Balance Sheet and Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance.

Combined Government-Wide and Fund Financial Statements

The District's government-wide and fund financial statements are presented in a combined format on pages 9 to 10.

The column labeled Statement of Net Position on page 9 and the column labeled Statement of Activities on page 10 are the government-wide financial statements, which display the information about the District as a whole. These statements are reported on a full accrual, economic resource basis, which recognizes all assets and receivables as well as all debts and obligations. This government-wide focus is more on the sustainability of the District as an entity and the change in the Districts net position resulting from the current year's activities.

The column labeled Governmental Fund on page 9 and page 10 are the District's fund financial statements, which report the Districts financial transactions in general fund. The general fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation – Combined Government-Wide and Fund Financial Statements - Continued

The column labeled Adjustments on page 9 and page 10 pertains to the reconciling items between the governmental fund financial statements and the government-wide financial statements. The reconciling items pertain to a) revenues that have been earned but not available within the 60 day period after year-end with the related expenses; b) capital asset acquisitions and related depreciation; and c) accrued compensated absences.

D. Basis of Accounting / Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The government-wide financial statements (i.e. column labeled Statement of Net Position on page 9 and column labeled Statement of Activities on page 10) 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 time liabilities are incurred, regardless of when the related cash flows take place.

Modified Accrual

The governmental fund financial statements (i.e. column labeled Governmental Fund on page 9 and on page 10) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded 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 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 acquisition under capital leases are reported as other financing sources.

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

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Accounting / Measurement Focus - Continued

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

E. Impact of Recently Issued Accounting Principles

In June 2015, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Governmental Accounting Standards Board Statement (GASBS) No. 65 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflow of resources, liabilities, and deferred inflow of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASBS No. 65 greatly expands the impact of GASBS No. 63. Deferred outflows of resources and deferred inflows of resources are required to be reported in all government statements of net position and governmental fund balance sheets by GASBS No. 63. The provisions of this Statement are effective for fiscal years beginning after December 15, 2012, although the District elected to early implement statement No. 65 in fiscal year 2014. However, until GASBS No. 65 is effective, the only deferred outflows of resources or deferred inflows of resources that GASB requires or permits to be reported are those related to derivatives that qualify for hedge accounting and service concession arrangements (SCAs). The District does not have any derivatives or SCAs and therefore adoption of GASBS No. 65 does not have any impact on the District's financial statements.

During FY15, the District did not have deferred inflows of resources or deferred outflows of resources as defined under the current standards of GASBS No. 65, in effect as of the date of the audit report.

F. Estimates

The preparation of financial statements in conformity with 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.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Budgets and Budgetary Accounting

By state law, the District's Board of Directors must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Directors satisfied these requirements.

These budgets are revised by the District's Board of Directors during the year to give consideration to unanticipated income and expenditures. The annual appropriations lapse at the end of each fiscal year.

H. Cash and Cash Equivalents

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand, savings accounts, certificates of deposits and cash in the pooled funds of Marin County.

I. Accounts Receivable

In the government-wide financial statements, accounts receivable consists of all revenues earned at year-end and not yet received. The District considers the accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Major receivable balances for the governmental activities pertain mostly to project specific grants.

In the fund financial statements, accounts receivable exclude retention receivable, which is usually 10% of the individual project specific invoice. Retention receivable is considered measurable but not usually available within 60 days after year-end. Retention receivable is usually collectible at the end of the project.

J. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated capital assets are recorded at their estimated fair market value at the date of donation. Depreciation on all capital assets is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 5 to 7 years.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Compensated Absences

An employee accumulates vacation and sick leave time in accordance with the personnel policy. Vacation and sick time vested and accrued depends on the years of service. Vacation may be accumulated for a maximum of two-year accrual and is paid in full upon termination or retirement. Sick time may not be carried over to the following year.

In the governmental fund financial statements, the District has not recognized the current portion of certain long-term liabilities (e.g. compensated absences) and related expenditures for amounts not considered to be due and payable as of June 30, 2015 based on GASB Interpretation No. 6. Amounts are properly recorded in the government-wide financial statements.

L. Net Position and Fund Balances

Net position in the government-wide financial statements consists of the following:

Invested in Capital, Net of Related Debt – this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – this amount represents net position restricted by parties outside of the District for use in specific programs or in specific fiscal period.

Unrestricted Net Position – this amount is all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position”.

Fund balances in the governmental fund financial statements include reservations of fund balance, which are created to satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund balance not available for future expenditures.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 3: CASH IN BANK

The table below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2015. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized with no written or approved collateral agreement.

<u>Type of Deposits</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Demand Deposits	\$ 10,405	\$ -	\$ 224,135	\$ 234,540
Savings Deposits	21,500	-	-	21,500
Total Deposits	\$ 32,905	\$ -	\$ 224,135	\$ 256,040

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 reported in the statement of net position and in the governmental fund are as follows:

<u>Projects</u>	<u>Governmental Fund</u>	<u>Retention Receivable</u>	<u>Statement of Net Position</u>
SWRCB – COW III Grazing Waiver	\$ 36,083	\$ -	36,083
Gold Ridge RCD	2,586	-	2,586
IRWMP-COWIV-Prop84	55,482	-	55,482
Marin County Employee	7,027	-	7,027
SCC Seq C Soils	26,040	6,198	32,238
SCC Wildlife	8,473	26,037	34,510
Pine Gulch Design	543,421	-	543,421
Others	7,632	-	7,632
Total	\$ 686,744	\$ 32,235	\$ 718,979

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 5: CAPITAL ASSETS

A summary of changes in capital assets for year ended June 30, 2015 are as follows:

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2015</u>
Office Equipment	\$ 26,517	\$ 1,523	\$ -	\$ 28,040
Field Equipment	17,960	-	-	17,960
Less: Accum. Dep.	(39,328)	(2,105)	-	(41,433)
Total	<u>\$ 5,149</u>	<u>\$ (582)</u>	<u>\$ -</u>	<u>\$ 4,567</u>

Depreciation expense charged to governmental functions for the year ended June 30, 2015 was \$2,105.

Note 6: ACCOUNTS PAYABLE

Accounts payable as of June 30, 2015 reported in the statement of net position and in the governmental fund are as follows:

<u>Projects</u>	<u>Governmental</u> <u>Fund</u>	<u>Retention</u> <u>Payable</u>	<u>Statement of</u> <u>Net Position</u>
SWRCB – COW II Grazing Waiver	-	14,568	14,568
SWRCB – COW III Grazing Waiver	19,770	4,834	24,604
Measure A	22,938	1,169	24,107
SCC Wildlife	32	10,788	10,820
Pine Gulch Design	449,311	50,205	499,516
Others	5,584	1,080	6,664
Total	<u>\$ 497,635</u>	<u>\$ 82,644</u>	<u>580,279</u>

Note 7: COMMITMENTS

The District leases its office building at 80 4th Street, Point Reyes Station on a year-to-year basis. The monthly rent on this building is \$1,358, which includes common area maintenance, with a provision for adjustment based trends in cost. The total rent expense for this building for the year ended June 30, 2015 is \$15,806.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 8: CAPITAL LEASE

The District leases its copy machine under a capital lease. The economic substance of the lease is that the District is financing the acquisition of the asset through the lease, and, accordingly, they are recorded in the District's assets and liabilities. The leases also contain bargain purchase options at the end of the lease term.

The following is an analysis of the leased asset included in Fixed Assets:

Copier	\$	5,248
Less: Accumulated Depreciation		<u>(4,017)</u>
Capital Lease Fixed Asset	\$	<u>1,231</u>

The following is a schedule by years of future minimum payments required under the leases together with their present value as of the year ended June 30:

	2016	\$	1,184
	2017		<u>395</u>
Total minimum lease payments			1,579
Less: Amount representing interest			<u>(348)</u>
Present value of minimum lease payments		\$	<u>1,231</u>

Note 9: CONTINGENCIES

The District received substantial support from state and federal funds for the administration and implementation of its projects. A significant reduction in the level of this support, if this were to occur, may have an effect on the District's program and activities.

This support from state and federal funds is subject to review and audit by grantor agencies, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**MARIN RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The District manages these various risks of loss through purchase of insurance covering liability, automobile, property, crime and excess liability with Glatfelter Insurance Group. The District also purchased insurance for workers' compensation with State Compensation Insurance Fund.

Note 11: RELATED PARTY TRANSACTIONS

The District provides landowner services as part of its program. The landowners participating in the program are recommended by a Technical Advisory Committee and approved by the District's Board of Directors. The Advisory Committee normally includes a representative from the funding agency, a board member from the District and technical members of the community. For the year ended June 30, 2015, there was no landowner services provided to landowners who are members of the District's board of directors.

Note 12: SUBSEQUENT EVENTS

The District's management has evaluated its subsequent events through October 8, 2015, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**MARIN RESOURCE CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>BUDGET</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable/ (Unfavorable)</u>
REVENUES:				
Operating contributions and grants	\$ 1,089,474	\$ 1,089,375	\$ 1,226,692	\$ 137,317
County grant	180,000	180,000	100,000	(80,000)
Other	27,200	27,299	99,657	72,358
Total Revenues	<u>1,296,674</u>	<u>1,296,674</u>	<u>1,426,349</u>	<u>129,675</u>
EXPENDITURES:				
Personnel costs	380,239	380,239	377,571	2,668
Services and supplies	916,435	916,435	1,041,681	(125,246)
Capital outlay	-	-	1,523	(1,523)
Total Expenditures	<u>1,296,674</u>	<u>1,296,674</u>	<u>1,420,775</u>	<u>(124,101)</u>
Excess of Revenues Over Expenditures	-	-	5,574	5,574
FUND BALANCE:				
Beginning of the Year	<u>211,548</u>	<u>211,548</u>	<u>211,548</u>	<u>-</u>
End of the Year	<u>\$ 211,548</u>	<u>\$ 211,548</u>	<u>\$ 217,122</u>	<u>\$ 5,574</u>

IZABAL, BERNACIAK & COMPANY
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**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
Marin Resource Conservation District
Point Reyes Station, California

We have audited the Basic Financial Statements of Marin Resource Conservation District for the year ended June 30, 2015 and have issued our report thereon dated October 8, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and their records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Isabel Bernaciak & Company

San Francisco, California
October 8, 2015

**MARIN RESOURCE CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>GRANTOR</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U. S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY - OFFICE OF WATER			
<i>Passed through CA State Water Resources Control Board: Nonpoint Source Implementation Grants</i>			
Nonpoint Source Pollution Control Program	11-092-552	66.460	\$ 185,343
Nonpoint Source Implementation Grants	09-668-552	66.460	\$ <u>106,551</u>
TOTAL U. S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY - OFFICE OF WATER			<u>291,894</u>
U. S. DEPARTMENT OF THE INTERIOR - U.S. FISH AND WILDLIFE SERVICE			
<i>Passed through State of CA Natural Resources Agency: Pacific Coast Salmon Recovery</i>			
Pine Gulch Creek Instream Flow Enhancement Project	P1130410	11.438	\$ 543,421
Fisheries Restoration Grant Program	P1430409	11.438	\$ <u>4,713</u>
TOTAL U. S. DEPARTMENT OF THE INTERIOR - U.S. FISH AND WILDLIFE SERVICE			<u>548,134</u>
U. S. DEPARTMENT OF AGRICULTURE - NATURAL RESOURCES CONSERVATION SERVICE			
<i>Passed Through Marin Agriculture Land Trust: Environmental Quality Incentives Program</i>			
Conservation Innovation Grant	68-9104-3-187	10.912	\$ 19,501
Marin Agricultural Land Trust Professional Services Contract	68-9104-5-263	10.932, 10.912, 10.931	\$ <u>2,919</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE - NATURAL RESOURCES CONSERVATION SERVICE			<u>22,420</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>862,448</u></u>

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Government, and Not-for-Profit Organizations." Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

Board of Directors
Marin County Resource Conservation District
Point Reyes Station, 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 basic financial statements of Marin County Resource Conservation District, which comprise the statement of financial position as of June 30, 2015 and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization'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 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 Marin County Resource Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



San Francisco, California
October 8, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Marin Resource Conservation District
Point Reyes Station, California

Report on Compliance for Each Major Federal Program

We have audited Marin County 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 Marin County Resource Conservation District's major federal programs for the year ended June 30, 2015. Marin County 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 Marin County Resource Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular a-133)*. 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 compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Marin County 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 with each major program. However, our audit does not provide a legal determination of Marin County Resource Conservation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marin County Resource Conservation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2015.


Report on Internal Control Over Compliance

Management of Marin County 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 Marin County Resource Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *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 the Marin County Resource Conservation District's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements 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 compliance requirement 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*, as defined above. 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 our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



San Francisco, California

October 8, 2015

**MARIN COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	NONE
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
2. Type of Compliance Report Major Programs	UNMODIFIED
3. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Programs:	66.460 Nonpoint Source Implementation Grants 11.438 Pacific Coast Salmon Recovery
5. Dollar Threshold for Type A Programs	\$300,000
6. Auditee Qualification	LOW RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	NONE REPORTED
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in OMB A-133 Subpart E.510a	NONE REPORTED

**MARIN COUNTY RESOURCE CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

There were no prior year audit findings.